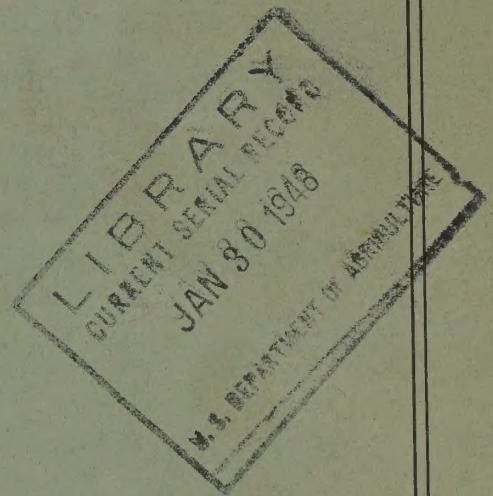


1956
A2 P944
Top 3

PROCEEDINGS
OF THE
PRODUCTION AND MARKETING ADMINISTRATION
NATIONAL CONFERENCE

1947



January 5, 1948

To: All PMA Conference Delegates

From: Jesse B. Gilmer, Administrator
Production and Marketing Administration

Subject: Attached Proceedings of the PMA National Conference

As promised at Colorado Springs, we have assembled the attached record of proceedings at the PMA National Conference. The record includes copies of the formal addresses which were prepared in manuscript, summaries of the more important talks which were delivered extemporaneously, outlines of the panel discussions, and the resolutions which were adopted by the Conference on recommendation of the various working committees.

The material has been bound as a single document, readily available for filing and reference. Copies are being sent to all those who attended the Conference, and also to other key people in our organization. A review and study of the various policy statements, administrative explanations, and program discussions will aid us all in gaining that better understanding of PMA which is essential to our most effective operation.

The Conference resolutions, which I personally feel are among the most constructive of their kind which have ever been developed, have already been given careful preliminary consideration by PMA and Department of Agriculture officials.

A report of action taken in line with the resolutions will be sent to you later. As announced at the Conference, the recommendations will be followed to the fullest extent possible. If for any reason it is not feasible to adopt certain of the detailed suggestions, an explanation of the factors involved will be included with the report.

The Administrator, the Deputy Administrator -- in fact all PMA administrative officials -- will welcome program and policy suggestions from you at any time. The exchange of ideas at the National Conference proved to be stimulating and constructive. Let's continue this "family counsel" throughout the year, without waiting for the next formal conference.

Jesse B. Gilmer

TABLE OF CONTENTS

Section I - Addresses	Page	
"Production and Marketing--A Team"	Jesse B. Gilmer, Administrator	1
"Conservation"	Dave J. Davidson Assistant Administrator for Production	9
"The European Situation from the Viewpoint of a Former State Committeeman"	Abner K. Chestem Former Nebraska State Committeeman	18
"A Humane Economy"	Ralph S. Trigg Deputy Administrator	21
Extemporaneous Remarks	Clinton P. Anderson Secretary of Agriculture	27
"The World Economic Situation"	Col. R. L. Harrison Special Assistant to the Secretary of Agriculture	30
"PMA Programs Under the Research and Marketing Act"	S. R. Newell Deputy Assistant Administrator for Marketing	34
"Science in Farming"	Dr. W. V. Lambert, Administrator Agricultural Research Administration	39
"American Agriculture and European Recovery"	Francis H. Russell, Director Office of Public Affairs The Department of State	41
"Impact of our Export Programs on the United States Economy"	C. C. Farrington Assistant Administrator for COC	43
"Summary of the Marshall Plan"	F. B. Northrup, Director Price Support and Foreign Supply Branch	48
"The School Lunch Program"	Paul C. Stark, Director Food Distribution Programs Branch	53

Section III - Panel Discussions

	Page
"The Why and How of PMA"	58

Panel Members:

R. J. Howard, Chairman, New York State PMA Committee
B. W. Whitlock, In Charge Pacific Coast Headquarters,
 Grain Branch
J. A. Cole, Director, Minneapolis CCC Field Office
Emery Jacobs, Administrator's Field Representative
R. S. Trigg, Deputy Administrator
Dave Davidson, Assistant Administrator for Production
F. K. Woolley, Deputy Assistant Administrator for CCC
S. R. Newell, Deputy Assistant Administrator for Marketing

Moderator:

J. B. Gilmer, Administrator

"Marketing Services and Regulatory Acts in PMA"	82
---	----

Panel Members:

L. M. Wyatt, Livestock Branch, Chicago
D. C. Beeler, Fruit and Vegetable Branch, San Francisco
A. W. Colebank, Dairy Branch, Chicago
F. W. Miller, Livestock Branch, Los Angeles
S. R. Newell, Deputy Assistant Administrator for Marketing

Moderator:

E. J. Murphy, Assistant Director, Grain Branch

Section III - Committee Reports

"Conservation and Land Use Adjustment"	93
--	----

Chairman: Albert J. Loveland
 Chairman, Iowa State PMA Committee

Secretary: Charles M. Cox
 Office of the Assistant Administrator for Production

"Rural Facilities Services and Industries"	97
--	----

Chairman: J. N. Blandford
 Chairman Maryland State PMA Committee

Secretary: J. H. Dean
 Cotton Branch

	Page
"Price Policy and Production Adjustment"	99
Chairman: L. Marshall Vogler Chairman Indiana State PMA Committee	
Secretary: J. M. Thompson Price Support and Foreign Supply Branch	
"Marketing and Food Distribution"	108
Chairman: John L. McCollum Cotton Branch, Dallas, Texas	
Secretary: W. C. Crow Marketing Facilities Branch	
"Future Agricultural Field Administration in Counties"	113
Chairman: W. B. Crawley Chairman Oklahoma State PMA Committee	
Secretary: H. L. Manwaring Deputy Assistant Administrator for Production	
"Washington--Field Relationships"	116
Chairman: L. Carl Fry Chairman Tennessee State PMA Committee	
Secretary: H. I. Dunkleberger Budget and Management Branch	
"General Administrative Services"	120
Chairman: Raoul Allstetter Area B&M Officer - San Francisco	
Secretary: J. E. Hoofnagle Budget and Management Branch	

"PRODUCTION AND MARKETING--A TEAM"

By Jesse B. Gilmer, Administrator
Production and Marketing Administration

I think this is the most representative group of farm program administrators which has ever been called into conference. The Production and Marketing Administration, as you know, handles action agency and service programs which reach across-the-board from basic production to ultimate consumption at home or abroad. It represents a consolidation of some 14 previously independent agencies or offices of the Department of Agriculture. And this is the first time that representatives from all segments of PMA have come together in a national meeting.

This conference is the realization of an objective toward which many minds have been directed for a long time. Here we have the production and marketing forces of the Department of Agriculture together in a joint meeting. And I am personally convinced that this is but the first of a series of conferences which will bring farmer representatives and government officials together each year, and that these meetings will become the occasion when sound national planning is done in the interests of both producers and consumers.

This is a sobering thought. Recognizing the scope of our agency, and the influence it can bring to bear on the welfare of agriculture, we are faced with the challenge of responsibility. There is further challenge in the world conditions we face today. While we review these conditions during our conference this week, we will be fully conscious of the fact that the decisions we reach together--and the programs through which we carry out these decisions--will have an impact upon developments far beyond the borders of our own country.

As we carry out our discussions during the conference, there is one fact which I hope you will keep in mind. That is the close and inevitable relationship between production and marketing services for agriculture. This fact is the very cornerstone of our organization. We are a young agency, with many lines of activity newly drawn together. It is not surprising that many of us have not yet had time to learn the real nature of the work that is done in other segments of PMA or the importance of that work in our over-all operations. I believe the success of our conference will be measured largely by the extent to which we can all improve that knowledge and understanding this week. We have a job to do, a job as a team and not as a group of unrelated individuals.

Most of us thought, on V-J Day, that our work would slacken up a bit. We had come through a difficult war period--a period when the demands upon American agriculture were greater than at any previous time in our history. Surely, we said to ourselves, the swing back to a normal way of doing business cannot be long delayed.

Time, of course, has shown us how wrong we were. The past two years have been, for us, just as difficult as any of the war years. If they haven't seemed so, I attribute that to the fact that we have acquired "know how"--and to the fact that emergency assignments, because there are so many of them, don't fill us with the same feeling of alarm they once did.

But you will agree, I am sure, that there is a certain satisfaction that comes from working under pressure. When we are under pressure we know that the job we are doing is important; otherwise there would be no urgency about its completion. The farm situation following immediately after the war could have been poorly handled. Decisions could have been reached which would have deterred production, or raised hob with marketing. But such decisions were not made. Instead, production was inspired, and the marketing processes, without undue interruption, have been meshed back into peacetime practices.

The American farm is producing nearly 40 percent more than prewar. The American people are eating better. And the export program has not lagged. And make no mistake about it: The work that we do in the Production and Marketing Administration has a vital bearing on these developments.

Apparently the same huge production and marketing job is still with us. There is now foreign demand for nearly all the things the American farmer produces. This demand will undoubtedly continue for several years. And, when the decline in foreign demand sets in, and we know it will come sooner or later, it may be in the nature of a gradual lessening which will permit us to adjust to more normal conditions without jarring the national economy.

There will then be three big problems to solve. One will concern price-support operations, and will depend largely on the action to be taken by Congress in dealing with this question beyond the Steagall period which ends next year. Another will be soil conservation, to restore the depletion of our American farm lands during the war and first postwar years. And the third will be to find still more ways to increase the efficiency of marketing.

PMA must be ready both to provide relief for acute farm problems, and to devote itself to those regular services and progressive measures which will help maintain the vigor of farm enterprise. Essentially, therefore, PMA will have as its duty and as its challenge this adjustment of American agriculture to a still-to-be-estimated new situation, both as to world demands and domestic requirements.

PMA will meet this challenge. It is already a vigorous organization in the national life of this country. We intend to keep it vigorous, to make it such that the American farmer will find in it a representative organization, working for him, that is unexcelled anywhere else in the world. It will be his production and marketing administration, attacking at the community, county, State, and national levels those aspects of his production and marketing problems that he cannot cope with single-handedly on his own farm.

Originally, the USDA was concerned primarily with farm production problems--with good cultural practices, with disease control, and with all the other steps which moved in the direction of making two blades of grass grow where one grew before. This was the dituation during the first half century of life for the Department, and for the State land-grant colleges, too. It was a time of quick national growth, and ever expanding production to meet the growing domestic demands on American

farm production. The farmer was then and is now the one indispensable man in this expanding economy. His production is the basis for all its wealth.

Agriculture made this nation great. But there was one problem which these early farm producers did not face. When farms wore out, they simply moved on West. Eventually, they reached the Coast, and this era of migration to new land came to an end. We are now faced with the challenge of feeding America--and others who are dependent upon us--with the resources we have. We are forced to pay more attention to agricultural conservation and to efficient marketing.

About the time of the first world war, the realization began to grow that the marketing side, and the marketing services, were really important to farmers. They were also becoming more important to processors and to consumers. The corner grocery store began to come to life, and the pickle and cracker barrels began to disappear from the front of the store. Consumers started to get an education in sanitation, in proper packaging, in higher qualities of food. This steadily rolled up into broad new desires on the part of the American public, calling for improvements in marketing methods, as well as in their nutritional standards.

This revolution in consumer demands began to take place only some 35 or 40 years ago. Concedentially, it occurred at the same time that demands for American farm products were beginning to stabilize. In a relative sense, our American society was commencing to settle down to a fixed pattern.

In the wake of these developments, there sprang up a basic need for intelligent direction of farm production, tailored to a more or less fixed society which was making a different kind of food demand. This demand was primarily related to what could be done on the marketing side, not as to the productive capacity of American farms. The consumer wanted a constantly improving product, and the farmer particularly was realizing that what happened to his produce AFTER it left the farm was just as important as the realization of a bountiful harvest.

The natural evolution of adjusting production and marketing to these new demands was broken up by the depression in the early 30's. This emergency called for "action" programs, starting in the late twenties with the Farm Board which tried to stem the raging currents of falling demand with only half a seawall; namely, with market purchases alone.

That did not work. But the effort was the first recognition on the part of national government that it had a responsibility for the economic well-being of farmers. Alone, farmers could not as individuals plan and direct total farm operations, as could industry. Alone, farmers could not turn on or off the tap of national production. Alone, farmers could not improve or regulate the marketing of their products through the many channels of distribution.

Recognition of these facts on the part of government led to the enactment by Congress in 1933 of the Triple-A, to bring about production adjustment, and the establishment of the Commodity Credit Corporation, to

provide a floor under farm prices. These programs have since been followed by a whole series of other farm aids...Farm Security (now Farmers' Home Administration), Rural Electrification, Farm Credit, Crop Insurance, the Research and Marketing Act, and still others. Together, they spell cooperative action FOR and BY farmers and the farm industry. In fact, they provide the basis for any needed long-range program for agriculture.

By July 1, 1945, in addition to action programs arising out of the crises of the 30's, the pressures brought on by war had developed many emergency activities. These altered the organizational framework of agricultural administration, both within and outside the Department.

At the time Secretary Anderson came to the Department, many separate and relatively independent agencies were handling the action programs. These had been set up within the dual structure of the War Food Administration and the Department. The result was a duality in organization which worked against efficiency in administration. There was an obvious need to iron out the wrinkles of wartime emergency operations.

Mainly there were two big problems to settle. First, to fix responsibility for commodity programs, which at the time were widely dispersed in many agencies. And second, to weld together production and marketing, which had been widely separated in both planning and administration. In addition, it was necessary to take steps to eliminate duplication of services, and to strengthen the mechanism to reflect farmer thinking in both the planning and the administration of programs.

This is where PMA came into the picture. The organizational structure itself insured consolidation of separate agencies, elimination of certain duplications, an over-all coordination of production and marketing functions, and opportunity for greater reflection of farmer thinking in our programs. The very fact that production and marketing functions were placed in a single agency was an assurance that the opinions and wishes of farmers, previously brought to bear primarily on the so-called production programs, would now reach the administrative officials who plan marketing and service programs.

We cannot over-emphasize the importance of this farmer influence in our operations. Through the farmer-elected community and county committees, the farmers of America can and do voice a grass-roots opinion from the "back-40" on what and how things should be done. And once a decision is made, these same committeemen carry out programs which reach back to the individual farm. This is democracy at work, in the finest traditions of our country. When the history of this whole period in agricultural development is finally written, I personally think that the committee system, the AAA plan as we know it, will stand out as the most significant development of all. There is nothing like it anywhere else in the world.

We must never forget that much of the strength of our PMA organization lies in the fact that the committee system is the basis for our field operations. And we must see that full use is made of the opportunity to bring this sound influence to bear on marketing and marketing service programs. This simply means that to an increasing extent we must in fact operate as a single, coordinated agency, and not just as a loose federation of separate branches and services.

As I have said before, the full effectiveness of PMA is assured when each segment of the organization understands fully what all others are doing, just how they do it, and how the efforts of one fit into the whole. You can measure the results in any commodity. Take wheat, for example. Conservation practices start the chain of production and marketing functions of our organization. Then there is advance planning as to total demand--the goal program. Before the crop is harvested, the farmer is assured that the price will be supported at some fair minimum. When the crop is harvested, it may be purchased by CCC through one of our Field offices. If destined for export, it may be graded by a PMA grader. It may be stored, temporarily, in an elevator licensed under the U.S. Warehouse Act.

PMA assists the movement of the wheat to the seaport by determining the location of the port to which the wheat must move, arranging for the transportation to the port, and making sure that a vessel will be at the port to "lift" the wheat. This is teamwork all the way through--necessary teamwork. It could not be achieved if the various functions and services were scattered through separate agencies. It is the heart of our PMA organization.

Let's turn briefly to the future. I shall not attempt to spell out a complete picture, but I do want to mention some of the important problems and developments which lie ahead, to help direct our thinking toward essential principles.

We all know that heavy war and postwar demands for food have taken and will continue to take a heavy toll of our soil resources. Sooner or later we must shift strongly to a conservation type of farming. That will do two things: It will rebuild depleted soil reserves and it will take out of production land that might otherwise be put to the production of surpluses.

The establishment of production goals should be a permanent feature of our over-all farm program. These goals, aimed at matching production with requirements, proved their worth during the war and thus far in the postwar era.

Production control is not generally an issue in these days of great demand for food and other farm products. But we know that controls are needed at times. Last year, for example, our potato crop of 475 million bushels was just too big; it was just more than we could consume, even with our high purchasing power--and potatoes are difficult to export. This year the price-support program for potatoes was contingent upon certain production control features designed to give us a production of around 375 million bushels--an adequate crop.

Before we resort to production controls, however, we must investigate every possibility for widening the market outlet. And there are a number of possibilities for doing that.

One thing that can be done is to stabilize the domestic consumption of farm products. During the 1930's we saw how people were doing without food at the same time surpluses were accumulating on farms. That paradox shouldn't happen again. We should in some way put a floor under food consumption--a floor that would make for national health and agricultural

prosperity. An integral part of such a program would be a continuation of the National School Lunch program. Also a part of such a program would be continued education in what makes for good nutrition.

We need to find new uses for farm products. We are hopeful that the Research and Marketing Act will lead us to discoveries in that field. The progress that already has been made in the direction of new-use discovery is encouraging.

We need to improve what we call our "regular" marketing work--standards; grading, inspection, and classification; regulations; market news; improved market facilities; more equitable freight rates. More efficiency along these lines will reduce marketing costs and will make it possible for consumers to buy more of what the farmers produce. Here again, the Marketing and Research Act will make improvement possible.

The export demand for food is intense right now, and it will probably remain intense for several years. But Europe and Asia eventually will become more self-sufficient. We must plan now for ways of maintaining a wholesome export trade after world conditions return to normal.

In considering long-range marketing problems, we must recognize that the general level of business activity will play a big part. Right now, we are in a period of general business prosperity--and consumer purchasing power is high. The big problem now is one of meeting the demand. We know from experience, however, that there eventually will be a time when demand is not as keen as it is now. We must begin to make plans for coping with whatever situation arises.

Fortunately, we now have the price-support program which will prevent any sudden, any disastrous decline in market prices. This program has encouraged and will continue to encourage production at the levels that will meet requirements.

All these things emphasize the need for a real partnership in production and marketing. Where the emphasis in the past has been placed largely on production, these problems show that equal emphasis must be given to the marketing side. As a group, we've got to get marketing-minded. The farmer's economic health, insofar as he can protect it, will depend not only on his production, but also on the manner in which that production is marketed. More must be done for the farm product--as to its quality, its condition, its packaging, and the charges involved in moving it from the farm to the dinner table.

Actually the farmer's percentage of the dollar spent by consumers for food is larger now than before the war, a normal trend when prices go up. As of midyear, he was getting an average of 52 cents of each food dollar. During the 20's he got 42 cents, and in 1932, at the depth of the depression, he was paid only 33 cents.

Despite this declining share for marketing, there are still some wide variations for farmers. As of last June, the farmer was getting 71 cents of the meat dollar and 68 cents of the dollar spent for poultry and eggs. But he got only 20 cents in fruits and vegetables, and 24 cents for grain in bakery products. He still saw his grapefruit selling at \$10 a ton in Texas, and then resold for at least 7 cents apiece in New York in order

for the middleman to break even. Nothing brings home the marketing phase so sharply as the fact that, for many commodities, it still costs more to bring the product to market than the farmer gets as his share.

Meanwhile, consumer demand for food services does not lessen. It includes the convenient parking lot, the refrigeration of eggs and milk, and other perishables, the clean floors and attractive counters. And also it calls for new end-products to satisfy new appetites and new tastes...the ready-sliced bacon, frozen foods packed to retain their fresh flavor, special cuts of meat, etc., could be items of importance.

It extends into transportation, of perishables, for instance, which require fast traffic across the country and quick delivery at retail outlets, to be consumed as fresh products in the home. Not so many years ago, this kind of food was available only to the millionaire. Only he could afford it. But millions of people want it now and, what is equally significant, they are willing to pay for it.

In connection with the marketing of perishables, PMA is responsible for an important recent improvement in the handling of frozen foods in transit. Our Marketing Facilities Branch, working with industry, carried out research and tests which resulted in the development of a means of holding the temperature of refrigerated freight cars at zero or below, without the use of ice or moving parts, when the outside temperature is at 90 degrees, and even for transcontinental shipments.

In addition to its importance in handling fruits and vegetables, this method is of significance for all frozen foods. It helps to expand still another channel to move food from the producer to the consumer. When we realize that about one-eighth of all food which moves heads to New York City, and that about one-fifth of the fruits and vegetables, at least, which are included in this total are shipped from California alone, we get a measure of the basic importance of better transportation facilities.

Demands for service, of course, are not the only reason why marketing charges are high. There is still waste and inefficiency throughout the marketing system--in many of the wholesale markets, which are completely out-of-date; in retail outlets, which have yet to minimize their labor, terminal, and other handling charges; in freight rates, which on some farm products are inequitable; and in interstate trade barriers, which restrict motor truck movement. For fruits and vegetables, as an example, waste and spoilage together range as high as 35 percent in some major markets. Inevitably this loss will be reduced, for the profit of everyone concerned.

These weaknesses in our marketing system make it apparent that PMA, in its thinking on reconversion from war to peace, must be concerned directly with problems of marketing. We must be guided by a policy designed to provide an abundant production, with farmers receiving a fair share of the food dollar.

What does all this add up to as far as PMA is concerned? It means that we as an agency are squarely on the spot marked X. We are the Administration within the Department of Agriculture which is charged with

developing the necessary integration between production and marketing functions, and then carrying out appropriate programs in the interests of agriculture and of the whole national economy. And our organization is planned to do the job.

We accept this responsibility gladly, and without fear of failure. Most of our growing pains are behind us now. A new agency, definitely on trial in its early days, has developed coordination and unity. Individual segments of our Administration have learned that their own services can be strengthened, rather than weakened, by merger into a larger unit which is equipped to do the over-all planning and execution. In short, we have grown up into a mature, effective organization in which we all can feel justifiable pride. I know this sense of pride will be increased during this conference, as we learn more of the work of our associates.

I hope and trust that we will keep our eyes on the main service objectives. What counts in the final analysis is not what we do for ourselves as individuals, nor for our branches or offices, nor even for PMA as such--but rather what we together, as a team, can contribute to the welfare of American agriculture, the Nation as a whole, and civilization throughout the world.

If our efforts are successful--if agriculture is kept on a stable basis, with abundant production sold at fair prices and backed by efficient distribution--then PMA will have done what is surely one of the most important jobs in the world today.

Yes, the stakes are high--and worth playing for.

- 9 -

"CONSERVATION"

by Dave Davidson, Assistant Administrator for Production

It is with humility and some reluctance that I undertake to talk with this group on the subject of conservation. This subject is a major item on this program and has been referred to by several previous speakers. Also, we have just seen again that very dramatic conservation picture, "The Plow That Broke The Plains." In fact, I wonder if there is anyone in the audience who would change places with me and undertake to discuss conservation at this time. I realize thoroughly that at least one half the audience is just as well informed on the subject of conservation as I am, and, probably, know even more about the subject than I do. I trust that everyone has an active interest in conservation and that by the time this meeting is over all will be equally interested in conserving our natural resources.

Before I proceed further with this discussion, I think the subject itself should be given a definition. Conservation can be applied to practically anything, and there are conservation organizations of very many kinds. Just recently the President announced a ten-point program, which he asked Congress to incorporate into law. One of these dealt with conservation. To me, any statement containing the word "conservation" immediately implies the program with which I am associated. As a result, I thought the President was asking for more money for payments under the Agricultural Conservation Program, and I could not be convinced otherwise until I had personally asked the Secretary about it. He had helped the President prepare the statement and Mr. Anderson informed me that in this instance conservation meant the saving of feed and food. Consequently, for this discussion we will try to restrict the subject to the conservation of soil, water, fertility, and forests.

I would like to define somewhat further what we mean by conservation. My first introduction to a national conservation program was in connection with the Forest Service. When I was a boy my father operated a sawmill on a national forest. At that time the Forest Service was relatively new and Gifford Pinchot had just turned over the position of Chief Forester to Mr. Henry S. Graves. We who were concerned with the commercial part of lumbering business had the feeling, possibly unfairly, that the Forest Service was only interested in saving the timber for posterity. I am certain that during the years since then the Forest Service has developed a better understanding of what conservation means. They now talk in terms of operations on the basis of sustained yield. That expresses quite effectively what I am trying to say on this subject. Conservation, in other words, means the use of our production facilities in such a way that the productivity of our soil will be maintained while we are using it. This definition, however, must be added to because we have started so late on the conservation of our soil. Because of our misuse of the land,

much of it must be rebuilt and its fertility restored. Therefore let us today think of conservation as the using of our natural resources in such a way as to maintain their productiveness and restoring those soils that have had their fertility depleted or have been otherwise damaged.

Since we have now defined conservation, I believe the next item to consider is "Why is conservation needed?" There are several points that I would like to talk about under this heading.

1. Conservation is urgently needed because we have been using our soil and forest resources too hard. Since this country was founded we have assumed that there was an almost unlimited amount of good land. Much of it is now gone and there are no places to move to out West as we wear out the farms we have. We did not appreciate that there would be an end to such good things, and much too late we have now begun to realize that something must be done to conserve these resources.

2. What we considered as unlimited resources are definitely limited. There is only so much cropland. With an increasing population the acres per person become less. Not too long ago there were about $3\frac{1}{2}$ acres of cropland per person. The figure now is around $2\frac{1}{2}$ acres. In 1980, when the statisticians tell us that our population will reach a balance, we will have 1.9 acres per person. From that, you can see, that based on increases in population alone it is necessary that our productive soil resources be used on a sustained yield basis. Otherwise we will not be able to feed our own people. At present, we have to feed much of the world, and we can't do that if we do not look after our soil.

3. Most of you have probably heard figures about the actual losses of soil. I'll not try to repeat them or give you in detail the story of losses in hundreds of millions of cropland. Nor will I try to state how many millions of acres have been damaged, some of it beyond repair. Let it suffice to say that we are losing about one-half million acres of cropland a year and that there are many losses on soil that is not completely ruined.

4. In addition to losses of the soil itself, we have for a long period of years, and without realizing it, let the fertility of the soil get away from us. That is not easy to see and cannot be presented graphically in the way that the picture we saw this morning depicted soil erosion. Nevertheless, it is just as important that we maintain soil fertility as it is that we maintain the soil itself. Without lime, phosphate, and other essential minerals, we cannot grow the crops we need and those that help to keep the soil in place.

5. During the war and since the war the need for large amounts of agricultural commodities has placed a very heavy drain on our soil. Even yet we are not in a position to stop demanding of our soil more than is good for it.

6. Our international position is such that we are considered one of the strong nations--in fact, the strongest one that is fighting the battle for democracy. We are fighting that battle with food and other materials, but principally with food. Not only will we be unable to furnish this food if our soil becomes depleted, but we will not be able to maintain our present strong international position if our natural resources become exhausted.

7. Seventh and last of the reasons I will give why conservation is needed is that it is the cheapest thing we can do. At the present time our Congress is economy minded and there is no reason why we should be out of tune with them. This job of conservation is something that has to be done sometime. It is cheaper to do it now. It is something that we dare not delay. Plainly the job will grow each day. It will cost much less to have an active, vigorous program in operation now, rather than to try to defer until some future time this very necessary work.

Having taken a look at what conservation is and why it is needed, I think the next question that comes to us naturally is "What has been done about it and by whom?" Well, much has been done about it and by a great many different groups and individuals, both public and private. We should give credit to those who have worked on this problem and give them our thanks for their accomplishments. I would like to mention a few of them.

1. There are many good farmers in all parts of the world. There are good farmers in this country and in parts of Europe and elsewhere who have followed conservation methods of farming in operation for generations. The recent war and post-war confusion has interfered with the maintainance of some of these farming practices, but still much conservation has been accomplished by this tradition of good farming.

2. In our country we can look back to some of the "founding fathers" who engaged in conservation farming. I would recommend that you read biographies of Washington, Jefferson, Jackson, and other of our forebears. You will find there references to rotation, pasture development, and other good farm practices which we might be inclined to think of as new developments.

3. I have already mentioned the Forest Service and the program of conservation of our forest resources. I believe the Forest Service was the first National Agency that had an active program of conservation.

4. The Agricultural Extension Service has been developing good conservation practices for years and teaching them to farmers by demonstrations and other methods. Much has been accomplished by the Extension Service and it is still working on this important program.

5. The Soil Conservation Service has carried out an active program of research, demonstrations, and farm plans. Their work is limited primarily to farmers in Soil Conservation Districts. At

this point, I wish to pay tribute to Hugh Bennett, the chief of SCS. I believe he deserves more credit than any other one individual in the United States for making the people generally conscious of the urgent need for conservation.

6. There are quite a number of private groups that are working actively on this program of conservation. One of the best known is called "Friends of Land," of which Louis Bromfield is the most widely known member. Also, I think we should give considerable credit to programs such as those developed by banks, which have been very effective. Mr. Chester Davis, President of the Federal Reserve Bank, St. Louis, has been promoting conservation in connection with making farm loans in his district. His ideas have been adopted by many banks. These groups have done a great deal of good.

7. Many farmers, timber operators, ranchers, and so forth, have been and are carrying out good farm and ranch programs on their lands. Some of them perhaps have been influenced by some of the agencies mentioned before, but many of them do it on their own simply because they see the need and value of conservation.

8. The Agricultural Conservation Program, which will be discussed further on in more detail, has along with all these others helped to make our country conservation conscious. We only hope the country has become sufficiently conservation conscious that enough will be done while there is time.

The Agricultural Conservation Program, which is the conservation program of PMA, includes all the methods which are used by the other groups mentioned before--research, education, and demonstration. In addition, we in PMA make payments to farmers and ranchers as a part of the cost of carrying out conservation practices to encourage them to do things which are needed to protect the soil and to increase its fertility and productivity. I will not go into detail about our program. Many of you know it from beginning to end and the others probably are not interested in all its ramifications. I think it is enough to say that we encourage conservation by paying for part of the cost and in this financial way help farmers to engage in this national program. From this point on I plan to discuss some of the questions that are frequently asked about our program--questions that confront those who operate the programs and that are asked of congressmen and by congressmen, particularly when we ask them to provide the money that it takes to run the program.

The first of these questions is, "Why are payments needed?" In answer to that question there are a number of very good reasons.

1. Payments help farmers understand the value of conservation. In other words, money talks. You can talk to farmers, you can show farmers and you can plead with farmers and they may be convinced that such conservation practices are a good thing. Still many of them just will not get off center and carry out these good farming practices. When you offer them the payment of part of the cost of the

practice itself, it is surprising the results that are obtained. I remember vividly the statement made by a county agent who told me that he had been trying for 25 years to get the orchard men in his county to use cover crops in their orchards. During all that period there had been only a relatively small increase in the use of this good practice. In a few years after our program started the increase was unbelievable. As he expressed it, he was astounded at the educational value of a payment of \$1.50 an acre for cover crops.

2. Many farmers cannot afford to engage in conservation farming. At a time like this when the total return to agriculture is greater than at any time in history and when farmers are quite generally prosperous such a statement may sound absurd. However, it is true in altogether too many cases, particularly among the small farmers. The figures of a year or two ago showed that a large proportion of the total number of farmers had gross incomes, not net incomes, of less than \$1,000 and that about 1/3 of the total number of farmers had gross incomes in the neighborhood of \$400. The figure may be somewhat higher now, but so are living costs, and the fact still remains that farmers with incomes like that, as well as some of the larger ones, just simply can't take a dime for anything except the bare essentials of living. They have to scratch so hard to get by that they haven't the time to think about conservation farming and certainly haven't the money to devote to it.

3. A large part of our farm land is operated by tenants. Most of the tenants have leases of one year's duration and most of those leases are verbal leases only. Just think what you would do if you were a tenant farmer with a one-year lease. Would you take part of the proceeds or the possible proceeds from your crop and put it back on the farm to help keep the soil in place or help maintain its fertility? Of course not! You would do just what I would do. You would take all you could out of the land and put as little back as possible. The only way you could be encouraged to do differently would be for someone to make it worth your while financially. The landlord could do that but too many don't. The only other party concerned is the National Government and Government payments have tremendous effect in getting cooperation from tenants.

4. Operators as a rule are concerned about the returns that they will get from a farm year by year and, except in rare cases, they do not think beyond their own lifetime or the period during which they will operate the farm. There is also the nation's interest in each farm. The country is concerned about the long time value of these natural resources---not only about the current production. We just cannot expect, at least until operators become more nationally minded than they are now, to have them operate their farms in the best interest of the country as a whole. By making payments to them, their short-time interest is included in the nation's interest and we can get well-rounded conservation performed.

5. Perhaps the best reason why payments are needed is because of the urgency of the conservation program. Probably we could get most of our farmers educated in time, possibly the tenant situation

would improve, probably a lot of other things would happen if we could wait long enough. But we just can't wait! Our soil is getting away from us and in times like this we dare not endanger our national security by wasting our natural resources. Even if we could do it in a hundred years by another method we cannot wait a hundred years. The payment method of obtaining conservation added to the other methods is the only way we know to get the job done in time.

The second question is, "Do we make payment for all good farm practices?" No, we do not. There are several reasons for this answer and the first one is that we do not have enough money. We have conservation needs so far in excess of the funds available that it is necessary to use the money judiciously and to limit the payments to practices whereby we will obtain the most conservation. We try not to pay for routine practices and we have a standard policy that as a practice becomes accepted in a community and is carried out in substantial volume we then decrease the payment or eliminate it entirely. We feel that by the time that point has been reached the farmers should appreciate its value and will continue to use it. Also we try to make payments for what we call "key" practices. They are practices which, if carried out, will enable the farmers to engage in proper rotations and to do other things to make for practical and conservation farming. For instance, a payment for lime may enable the farmer to grow cover crops which he could not grow before and thereby will give protection to the soil as well as improve farm incomes. Payments for ponds and springs on the range do the same thing by enabling the ranchers to bring about a better distribution of livestock.

The third question that we are asked continually is, "Have we not yet reached our objective, or, in other words, why do you continue to make payments for lime, cover crops, etc?" Certainly a great deal has been accomplished. I think we are using some 25 million tons of lime now per year where we were using less than that much when we started our program. The increase in some other practices may not be as great proportionately, but tremendous amounts have been done. We are proud of what has been accomplished, but there is so much to do that we cannot say that we have reached our objective and certainly we cannot at this time cease making payments.

Fourth, what is the actual situation on the conservation program? At present we are finishing up the 1947 program, for which we had an appropriation of \$240 million dollars for payments plus some money for administrative expenses. This program is winding up in quite good shape despite the suspension period of almost two months while Congress considered whether or not to provide the money for payments which had already been promised to our farmers. It looks like our 1947 program will be most successful and show real accomplishment. We are getting started on our 1948 program but for it we have much less money. The total amount will be about 130 million dollars for payments. The States have received a tentative allocation of their program funds. The final allocation has been approved by the Secretary and will be received by each State within a few days.

There are a few other questions that we are asked and I think that they should be discussed even though some of them get over on to the touchy side. Recently I attended a meeting of the Agricultural Policy Committee of the National Grange. They had appointed a special committee to make recommendations on our Agricultural Conservation Program. One of the questions they asked me was whether or not our payments were made simply as a dole to farmers. That question didn't bother me at all. If we were just putting out a dole it would be a simple process to give each farmer so much money and call it square. Instead, we work out carefully prepared plans with the farmers. These plans show the practices they must carry out if they are to receive help and they are individually approved by the County Committees and the Government bears only a portion of the cost. I believe that on the average we pay about 50% of the cost. Recipients of a dole would not be interested in an arrangement where they had to dig up out of their own pockets at least as much as they receive and put the entire amount into the farm.

Another question they asked was, "Do you make these payments as a means of engaging in political activities, in other words, are these checks just high class political propaganda?" Again, this question didn't bother me and the reason it didn't is because our program is handled by the farmers themselves through their elected community and county farmer committees. A person doesn't have to be a Democrat to be eligible to vote for these committees nor does the question of political affiliation come up in regard to membership on these committees. I don't know, and I don't believe anyone else knows, what percentage of committeemen are Democrats and how many are Republicans. I would not be surprised if there are more Republican than Democratic committeemen. In some areas I know there are. In any event, there has been no justified accusation of politics and I am extremely proud of that.

Another question that has been asked within our own organization and by people interested in farm programs in general is this - "Do we need to have an Agricultural Conservation Program, which is available everywhere in order to have our committee system organization at each place where it may be needed for other farm programs?" That is an extremely good question and it is certainly true that we do need an organization available for the administration by farmers of farm programs when they are needed in any part of the country. Our program is so important that I feel that I have already made clear that it is completely justified on its own merits. However, if it were not so, I think it could well be justified on the basis of enabling us to have an organization that would be ready, willing, and able at all times to take care of the farmers' problems whenever they come up. It may be possible that some other means might be provided whereby such an organization could be maintained. Perhaps Commodity Credit Corporation could contribute the funds necessary for such an organization. I hope that it will not be necessary to provide it any other way because our conservation program is so important that we ought to have it and if we have it we can use the organization for these other programs. Before I leave this point, however, I wish to state plainly that if we are going to continue to do a good job we will need more administrative money than we now have. You just can't starve a horse and expect to get a good day's work out of him.

Another question that has been asked and asked a lot recently is this: "Are we advocating the continuance of the Agricultural Conservation Program in order that we may maintain the agency?" Usually it is put into terms "Do you need the program to keep Triple-A alive?" In answer to that I can say that such is not the case. We believe and farmers believe in this method of obtaining conservation. The Secretary in his recent testimony before Congress recommended payments for obtaining conservation. At the hearings recently conducted by the Agricultural Committees of the House and Senate, many farmers recommended that payments be continued and increased. The Secretary has recommended that there be a consolidation of programs and agencies engaged in conservation into one program and agency. A committee has been appointed in this conference to provide the Administrator and the Secretary with "field thinking" in relation to this and other parts of the conservation testimony presented to Congress. I think I can say for our Washington office that we agree there should be a consolidation and that duplication, confusion, and unnecessary expense should be eliminated. We do not insist that it should be all Triple-A, nor that it should be all put into PMA. In fact, we do not insist on the particular kind of an organization it should be, nor what it should be named. We do insist, however, that it should be run by farmer committees, democratically elected by their fellows, who will have the administrative job of developing the program and operating it.

Another pertinent question that is asked a lot now is, "Can a payment program such as we have be effective with an appropriation of 150 million dollars a year or less?" We were asked that question the other day by the Budget Bureau. The testimony at budget hearings is supposed to be confidential but the Administrator and I could do nothing less than state that certainly anything less than 150 million dollars would have to be spread too thin to be effective. The job at present is just too big and too urgent, as we have said so many times already, for such small appropriations. It is estimated that in 1948 the accomplishments of the program will be somewhere between 40% and 55% of what we accomplished in 1947. We have made a study of conservation needs as the basis for distribution of the program money among the States. The total of these needs is admittedly only part of the total conservation needs and the figure which we use is based on the payment rates for the practices in the national bulletin. These payment rates represent only part of the cost of carrying out the practices. In spite of that, the total annual needs is in excess of one billion dollars. When you think of all the reasons for a conservation program, particularly the present international situation, it seems absurd to be talking about such small sums of money to meet this tremendous need. Furthermore, we are going to have to continue to mistreat our soil for some years to come while we participate in the Marshall Plan or other plans to help the recovery of the world. While we are engaged in that kind of activity, we should not be "penny-wise" in the matter of the relatively small amount of money for this urgently needed conservation.

Now, I have talked quite a long time about conservation. I hope that I have made it clear to you, as it is to me, that it is an urgent job that we have before us. Perhaps you want to know what we ought to be doing about it. There is plenty that we ought to do. In the first place, we ought to tell everybody about our program and when we tell about our program we should brag about it and not apologize for it. Not long ago a speaker from New England made the statement that recipients of our conservation checks should be proud to receive those checks. They are evidence of cooperation in

this program of conservation of our basic natural resources. Next, and I am talking primarily to the State Committeemen and through them the County and Community Committeemen, we should do the very best job that we can. We should use the money that we have for program payments to obtain the very greatest amount of conservation possible. We haven't enough to go around as it is, and certainly none of it should be wasted on the practices that will be carried out without this help. Not only should we make payments to get the most conservation, but we should make payments on the practices that are most urgently needed. Perhaps we can catch up on this entire job some day, but we should certainly work on the most critical parts of it first. It is rather difficult with a program available to all farmers to handle it in such a way that we will get the most conservation per dollar and so that we will pay only for that conservation most badly needed. I don't think that we can reach this ideal 100% but it certainly is an objective that we should strive for and that we can approach more closely as time goes on. Specifically, State Committees should not try to work out a program that would get the most money for each State. Since the money is divided among the States, the money that you have is for your use in carrying out this trust that you have been given. You are really the custodians of these natural resources. You have been given this money as a tool in protecting and rebuilding these resources. We expect that you will render a good account of your stewardship to the country as a whole and prove, what we know to be the case, that the country was justified in entrusting you with this program. See to it that your County Committees and your Community Committees and the farmers in your State do the best possible job with the limited facilities available. Then I think that we can all sleep well at nights with the assurance of a job well done and the satisfaction of having participated in meeting this present emergency and also in assisting with the long-time job of maintaining and rebuilding our natural resources and thereby doing much to keep our country great.

ADDRESS DELIVERED BY ABNER K. CHESTEM

First, I desire to express my most sincere appreciation and gratitude for the privilege of attending this National Conference. It affords me the opportunity of meeting again my friends and co-workers of early AAA days. Also I am learning that, even though there has been extensive reorganization, the effectiveness of the community and county committee set up has been recognized. May I comment here that our Nation is indeed fortunate in having had and having now such an organization built as it is from the ground up. I am, of course, thinking in terms of comparison with the situations existing now in several European countries where there is no such an organization to tie to in attempting to meet food and production problems; instead, attempts are being made to build action organizations from the top level down and with little or no success. Reason, lack of confidence in and lack of support by the people generally. Let us always keep this system which we now have. It has been thoroughly tested in both war and peace.

I left the United States in May, 1945 in order to carry out an assignment as Agricultural Attaché for the American Embassy at Oslo, Norway. First, I went to London where I joined the American Embassy to Norway which was newly organized and ready to proceed to Norway as soon as transportation could be procured. We sailed from Liverpool May 28 on an English passenger ship and had as fellow passengers the Norwegian Government (Cabinet Members) which had been in exile in London during the war and also many minor officials of the Norwegian Government, some of their soldiers and several Embassies, including the British and Chinese. This was a three-day voyage and I was fortunate in becoming acquainted with several members of the Norwegian Cabinet and other officials. This proved very helpful later, when acquaintances with such people were necessary in order to perform duties as Agricultural Attaché. Trygvie Lie was then a member of the Cabinet and we found him very sociable and willing to assist we Embassy folks in every way. We were in waters heavily mined and mine sweepers were operating ahead clearing a line for us. Our ship, "The Andes," was the first passenger liner to enter Oslo harbor since liberation. The day was warm and cloudless and as we entered the long and deep Oslo Fjord we saw a good sample of the famous Norwegian Coastal scenery and naturally we wondered how the people would receive us and how they had withstood the five years of occupation by the enemy. As we entered the harbor at Oslo and docked at a pier, people were everywhere. All space within sight of the pier was covered with one solid mass of humanity. The demonstration was beyond description by words. There was singing and weeping - dancing and kneeling at prayer, all at the same time. First the Cabinet members walked down the gang plank and their appearance increased the intensity of the applause. As I stood on the deck watching, naturally I noted the physical condition of these people. They were all quite lean but with good color; their clothes thread-bare but still quite neat; their shoes poor but still enough sole left so no one was barefooted. Later in the day I observed horses in the streets, none of which were in poor flesh. I was soon to learn that the country's food and feed supplies were very low but due to the inherent thriftiness of each individual family unit, these people were managing to feed and clothe themselves remarkably well.

The Cabinet had previously announced its intention to resign upon return home. These resignations were accepted by the King and through

cooperation of the six political parties, a coalition cabinet was formed. This coalition cabinet during the summer of 1945 formulated a plan for stabilization and recovery of Norway's economy, which among other things, provided for the issuance of new currency to replace the old currency which had been highly inflated by the Germans. Over one hundred million Kroner (one Kroner equals 20 cents) were cancelled out due to the failure of collaborators to present their holdings for conversion. Also, large holdings were not fully redeemed on the spot but a bank credit set up for such individuals to be gradually released later. This change in the Nation's currency was accomplished throughout the entire country without serious incident. Also a relationship between wages and cost of living was established. This is now known as the Line of Stabilization. When the cost of living index advances beyond that line, either wages are raised or food items subsidized by the Government; for instance, when price controls on bread grains in the United States were abandoned and prices advanced, it very soon became necessary for the Norwegian Government to greatly increase the subsidy on flour. No major strikes have occurred.

Early in October, 1945 general elections were held - the first since 1936. The Labor Party was returned to power, obtaining 76 of the 150 seats in the National Parliament. A new Cabinet was formed which is said to be the youngest in years of any Cabinet in the world and they are now struggling with the problems of recovery and international relationships in a creditable manner. Progress in recovery is a definite fact; for instance, in May, 1945 I observed no goods on display for sale in the shops - today the display windows are well filled with clothing, shoes, gloves, mittens, cotton goods, etc. - all rationed, of course. Tobacco is ration free and of sufficient supply to prevent black marketing. The daily ration commitment on bread and flour has been fully met since the fall of 1945 and people have their choice of white or dark bread. This is in contrast to the heavy, sour black bread being eaten during the occupation.

Industrial production has in some lines surpassed 1939 levels particularly of light consumer goods but heavy goods and exportable items are still lagging, although gaining. The country is short of American dollars and two loans have been negotiated, one for 50 million dollars and the other for 10 million dollars, a private loan floated in United States. It was immediately taken up by the United States private financial interests.

I also spent some time in Sweden, Denmark, Germany, France and Holland and nowhere did I observe actual starvation but undoubtedly many people in the war torn areas are not receiving a sufficient variety of food for a properly balanced diet. In many places a large number of people are engaged in black market operations and making more money than if engaged in productive work. This situation should be corrected.

Since my return home last October, I have been agreeably surprised at the keen interest many Americans have in European affairs. That is as it should be. First we have the cost in lives of 300,000 men and women lost in two wars over there and then the dollar cost of billions and last but not least we find ourselves faced with the apparent necessity of investing huge amounts of American money in the rehabilitation of Europe. This last item in my opinion should and can be on a business loan basis. If the money lent now is not repaid, we cannot expect international friendship and good will to prevail. Good production loans can be made to Europeans; for instance, the paper pulp and cellulose industry in Norway is operating at only one-half capacity due to the failure of workers using obsolete

methods delivering an insufficient number of logs to the mills. Normally forest products are Norway's largest export item. The fishing industry there, one of the largest in Europe, needs much modernization and also only about 20 percent of the potential water power has been harnessed. They could certainly furnish electric power to Sweden and Denmark. Also they have a very efficient synthetic nitrate industry which could well be greatly expanded. Norwegian agriculture was not seriously disturbed by the war. Dairy cow numbers declined 15 percent, hogs 50 percent and poultry 66 2/3 percent. However, sheep and horses gained as did the number of acres devoted to crop land. It is expected that within the next two years total production will equal that of 1939. In many respects European countries are using obsolete production methods in industry and agriculture and the people need the inspiration of using newer and faster methods.

The work tempo over there is much slower than in the United States and a surprising number of days in the year are devoted to vacations and holidays.....too many from the American's point of view; for instance, a large laundry in Oslo advised me last June 15 that they would be closed for the summer vacation until August 18. They did just that and in the face of more good business than they could have handled had they stayed open. The eagerness for business and the spirit of competition is much less than here in the United States and we Americans are often criticized by Europeans for our restlessness and speed that we fail to relax and enjoy life. A close Norwegian friend of mine good naturedly advised that instead of continually hurrying and dying from heart disease at 48, we slow down and enjoy life like his father now 92. I good naturedly replied that our man passing out at 48 had accomplished as much and had as much fun as their 92 year olds so what's the difference.

As regards to the European's attitude toward United States, I can say that they do give us much credit for their liberation and do look westward to our country for leadership in world affairs. They also have an exaggerated idea of our wealth and general standards of living. The average European would rather be like us than any other nationality. They are often set to wondering about our easy spending of money and apparent eagerness to make loans. I am inclined to think that the Marshall proposal received too much publicity - that an idea may have been planted that repayment is not really expected. I hope for the good of future international relationships that that idea can be entirely eliminated. As to peace in the future, I found no one in northwest Europe who does not expect another war. They only ask us when it will start. These small nations are in constant fear of again being overrun by larger powers. This concern about their future security does I believe have a profound affect on their long range planning for the development of their resources. "What's the use," they say, "to build a greater electrical generating system when it will only be taken over by someone else." I do favor helping these people rehabilitate their own countries by making good loans (little direct relief is needed). After all over there is the home of our forefathers, also the beginning of our culture and way of life and one of the most important production areas in the world. It could certainly disintegrate if neglected and almost certainly recover if given the right kind of help and encouragement.

I will close now but first I must mention that you should not take me as an authority on European affairs - rather I hope you will add these personal observations and comments to your store of information and use it as your good judgment dictates.

Again I sincerely thank you.



"A HUMANE ECONOMY"

by Ralph S. Trigg, Deputy Administrator
Production and Marketing Administration

If the animal kingdom had the reasoning power--and the economic ability--to contribute toward its own salvation, no four-footed animal would hesitate to give its very hide to conquer the long dread enemy that is invading its green pastures--the foot and mouth disease.

This enemy has its dread equivalent in our kingdom. Tuberculosis! Tuberculosis which you and I--and millions of other Americans--have tried with our pennies, dimes and dollars to eradicate throughout the world. And let me emphasize the phrase--"throughout the world"!

When in Washington--and while traveling between our nation's capitol and Mexico City which of late has been rather frequent--I think about this serious agricultural problem. And so does everyone else in the Department who has been working on the campaign. As a result of our earnest desire to solve this vital problem we were able recently to announce changes in our joint effort which will enable us to continue an aggressive fight against this terrible disease.

Secretary of Agriculture Clinton P. Anderson is vitally interested in the progress we are making. The very day he learned of the outbreak of the disease he assigned me to the job of coordinating the work in the Department. It is also my responsibility to keep him posted--day-to-day--on what we are doing.

Much credit for what has been done should go to the Department's Bureau of Animal Industry. It is doing a fine job--just as it has in the past when it successfully coped with former outbreaks of this disease in various parts of the United States.

About a year ago the Department of Agriculture received reports of the first case of foot-and-mouth disease in Mexico. The disease broke out in the State of Vera Cruz in east central Mexico. Within the hour after receiving the report the Bureau of Animal Industry ordered the U. S. --Mexican border closed to importation of cattle from Mexico. This protection to U. S. producers is required by law. Immediately also, the BAI sent four of its veterinarians to work with a like number in Mexico. They surveyed the extent of the disease--and the conditions necessary to influence its control and eradication.

The problem was meanwhile being unfolded in discussions in Washington between Mexican and U. S. authorities. The disease at first spread quickly. It was therefore, recognized immediately as an international problem that would have to be treated by the two countries as co-partners. On the last day of January, 1947, a sub-commission of the Mexican-United States Agricultural Commission--which as you know deals with Agricultural problems affecting the two governments--made specific recommendations following a report of the joint veterinary investigation committee. Immediate and adequate scientific, technical and financial cooperation

between the United States and Mexico to control and eradicate foot-and-mouth disease in Mexico was urged. The sub-commission declared: (Quote) "the disease has already become so wide-spread as to constitute a grave danger to the livestock industries of Mexico, the United States and other countries". (end quote). I want to point out that this statement was made almost three months before we started operations in Mexico. It added that the facilities of Mexico were: (Quote) "insufficient to cope successfully with this disease which constitutes an international problem". (end quote).

To provide the authority the Department did not have, the Secretary of Agriculture asked Congress for legislation to enable the Department to cooperate with other American countries in the control and eradication of the disease. The Congress, recognizing the danger to the American food supply and livestock industries, did provide the necessary legislation, which President Truman approved.

Promptly in March after this legislation became law, officials of the Mexican-U.S. Agricultural Commission met in Washington to draw up plans for cooperation for the eradication of the disease. This was the legalized beginning of our two-nation effort. Recommendations of the commission set in motion the machinery necessary to start large scale operations.

The newly created Commission's recommendation brought about the establishment in April of a joint foot-and-mouth disease office in Mexico City. It is headed by a director from Mexico and a co-director from the United States. A joint administrative board known as the Mexican-United States Commission for the Eradication of Foot-and-Mouth Disease was also formed. This board--to which the co-directors are responsible--now administers the campaign in Mexico and sets campaign policies and procedures.

Of course, funds were necessary to begin the active phases of the U. S. share of the campaign. To meet this need, the Congress quickly appropriated 9 million dollars as our share--to be used that fiscal year ending June 30, 1947. A million and a half of the initial funds were to be used for U. S. equipment, supplies and personnel, with \$7,500,000 to pay indemnities on slaughtered cattle. The Mexican government was to provide almost a like sum for the initial phases of the campaign. This money to defray the cost of Mexican personnel--for troops to hold quarantine lines and perform protective services--and, also to pay indemnities for small animals. It was agreed Mexico would stand the cost of replacing slaughtered work oxen.

Let me give you a brief description of the country in which the eradication war, has been waged. Too many of us north of the border fail to realize the size of Mexico, and the nature of its rugged topography. The Republic of Mexico is a vast country with a population of 22 million people. In land area, it is roughly compared to the area of Texas, Colorado, Utah, California, Arizona, Nevada and New Mexico. Topography that runs from high-peaked mountains to dense jungles. And, the lack of transportation in far-off regions are only a few of the

natural hazards that make eradication work so difficult. Today the quarantine area is bounded on the north by a line running roughly from Tampico, westerly to the Pacific. On the south, by a southwesterly line at the southern tip of Vera Cruz. It is in this area that the infection was first discovered and in which our control efforts have been concentrated. The northern-most point of the quarantine area is about 350 miles from the U. S. border. The cattle population of Mexico is about 12 million head, about five million of which are in the quarantine area. In this area are hundreds of thousands of livestock owners--some with only one cow or ox--which in itself is a complicating factor in control work.

I know you will be interested in the general method of attack that we've used. It has given a maximum degree of protection against a spread of the disease outside the quarantine area. The plan has been to encircle an infected area--establish a quarantine line--and then move in for specific action. On the individual farm the pattern of attack has been: First, inspection of the livestock by technical workers, namely Mexican and American veterinarians, followed by quarantine. Then, animals in infected and exposed herds were slaughtered and disposed of. Next came cleaning and disinfection of the premises, and finally use of test animals to insure complete safety before restocking. This is the known procedure for combating the disease, but its use unfortunately has not prevented spread of the infection. On a number of occasions areas apparently cleaned of the disease were found to be infected again. In the infected area it has been impossible to keep the disease completely quarantined.

Our two governments have worked in harmony. Men and equipment from both sides were greatly increased. Experience brought many changes which illustrate all possible steps were taken to make the eradication program a success. Here are a few of the more important developments which were made in the program since we first began the work:

1. During the summer, steps were taken to decentralize field operations. The operations in Mexico City were decentralized from Washington at the outset to provide the greatest flexibility to the program. Washington is a great distance from Mexico City; communications are none too good; and realizing from the very first that decisions must be made on the spot as situations arise, the Co-Director of the Joint Commission was given the full responsibility insofar as possible to operate the program as he felt it should be operated. This decentralized system, supplemented by a close liaison with Washington, has proved very effective. Teams of men, equipment, and supplies worked as complete, separate units in 12 strategic areas. This new system was very important because field workers could kill and bury animals at once. The decentralized system was given a big boost in July when four units of the U. S. Army's traveling machine shops arrived in Mexico. Stationed at field headquarters, these units saved about 30 percent of the time previously needed to repair broken-down transportation and digging machinery. There is no need to slaughter livestock if they cannot be buried immediately. The primary purpose of putting dead animals under the ground is to prevent spread of the disease. It is hard to imagine the difficulty

in moving the large digging equipment from one location to the next, because of inadequate roads and the general terrain of the country. Infected and exposed livestock must be moved as little as possible to prevent a spread of the disease, therefore, the only alternative is to move the digging equipment to a point close to the infected and exposed herds.

2. Agreement was reached this fall on a system of pooling both countries funds for payment of indemnities. This agreement provided for the Mexican government to contribute 3 million pesos each month, that amounts to roughly six hundred thousand American dollars--and for the United States to contribute comparably larger sums necessary for the swiftest operation of the campaign. Prior to October, the U. S. Government has been paying for all cattle indemnities--and Mexico for swine, sheep and goats.

The aim of the new system was to eliminate delays in slaughter sometimes caused by lack of funds, and at the same time promote better public acceptance of the campaign. Now all disbursements are controlled by the Joint-Commission.

3. Another development of great importance was the issuance in September of a condemnation decree by President Aleman of the Republic of Mexico. This authorized immediate disposition of all cattle, swine, sheep and goats certified by official veterinarians either to be infected--or exposed to the disease.
4. An intensified educational campaign was developed and workers have made good use of it to inform Mexican ranchers and farmers--especially in remote rural districts--of the seriousness of the disease and the need for effective control measures.

Any report on what has been accomplished so far must necessarily be qualified by the many difficulties that have been encountered. By early November the disease had been diagnosed in 16 Mexican States and the Federal District. However, by continuous encirclement--and rapidly moving in on the disease--we have kept it within the boundaries of the quarantine area.

Nothing has been spared in the way of supplies and technical aid. Nearly 2,000 people are actively working on the campaign. More than 500 of this number are from the U. S. Department of Agriculture. In addition, about 10,000 Mexican troops are holding the quarantine line and providing additional protection. Necessary equipment in sufficient quantities were made available. This included spray units for disinfection work, large earth-moving machinery and many other types of equipment. Our share of the expenses of the program, so far, have amounted to roughly 35 million dollars.

The Department of Agriculture has received excellent cooperation from our State Department in Washington and the American Embassy in Mexico City. And, because of this help, work on this difficult campaign has been made a little easier for all of us.

As I have said, the Department recently announced it had accepted a proposal by Mexican officials for changes in the program. The present plan has been based largely on slaughter as means of control. The new plan of operation will include vaccination, continuation of quarantine methods, and--when necessary--slaughter of infected and exposed animals. The Joint Commission is hard at work developing a procedure to put the new plan of operation into effect. The new plan of operation calls for strengthening of the present quarantine line which runs from Tampico westerly to the Pacific Ocean; establishing mobile slaughter forces at various points on the quarantine line; cleaning out a zone on the South of the quarantine line, approximately 50 miles wide; and making the best use of vaccination and inspection.

Changes in the program were prompted chiefly by the now apparent fact that the ultimate destruction of the great number of susceptible animals in the ~~infected~~ zone would bring a tremendous economic and social impact upon Mexico. Here's why: When one of the thousands of farmers in the quarantine zone loses his sole work ox, his only means of farm draft power is gone. Everything possible is being done to replace work oxen with mules, but even when a farmer gets a mule he must necessarily make basic changes in his way of farming. Harness and steel plows are required to say nothing of corn to feed mules.

Repercussions of the campaign have been felt in Northern Mexico, too. The northern states have traditionally exported their surplus cattle to the United States as stockers and feeders. Normally, they have sent about 500,000 head a year to our ranches and feed lots. When this outlet was closed to them, producers in these northern states were hit hard. The U. S. Department of Agriculture was first to realize the necessity for providing an outlet of surplus cattle in the Northern Mexico States. Immediate steps were taken to lend assistance to Northern Mexico cattle growers through the development of a program of establishing canning plants throughout Northern Mexico. Livestock raisers were promised technical assistance from the Department in the construction of plants; aid in securing critical equipment in short supply in the United States for equipping the plants; aid in the development of a meat inspection system comparable to the one operated by the Bureau of Animal Industry in the United States; and assistance in securing an outlet for the canned product. To give some assurance to the cattle raisers of Northern Mexico that a market would be provided...and at the same time assist in the eradication program...the Department recently began a program for the purchase of at least 45 million pounds of canned meat. This meat will be resold for commercial export or for relief feeding in foreign countries. Packing plants in the northern areas of Mexico will slaughter and process the needed cattle.

I know you realize there are many adverse conditions inherent in the infected area that have made it impossible to get perfect results. Change in the all out slaughter campaign was made only after full consultation among all those concerned with the program. The proposal was also discussed fully with members of the Department's foot-and-mouth disease advisory committee--a committee made up of representative members of the United States livestock industry. We have sought its advice and counsel on all matters regarding this program. The industry committee

is comprised of two members from each of the States of Texas, Arizona, New Mexico and California, and one member each from Wyoming and Iowa. Four of the members have visited Mexico and reviewed the program in the field. I think I should tell you that each of these members independently arrived at the same conclusion insofar as the future operation of the program is concerned. We are very grateful to the committee for its help, as all of these men are extremely busy in operating their own ranches and places of business. I should add that two of the members are former Presidents of the American National Livestock Association.

Officials of Mexico and the United States will continue trying to develop the best possible plan for checking the spread of the disease--and keeping it in the quarantine area. Because the use of vaccines has not been regarded as favorable to rapid, complete eradication of the disease, they previously have not been used as a control measure. However, vaccines are now officially being reconsidered as a control method, along with continuation of quarantines--and any necessary slaughter of infected and exposed animals.

This intensified campaign will go forward without halt--only the method of attack is being changed! Be assured your Government knows as long as the disease exists it is a threat to our mutual interests. You may be certain the Department of Agriculture and the Secretary of Agriculture--will take every feasible step to keep the disease from coming to this side of the quarantine line. And, you also may be sure we shall use all means within our authority, to work toward eventual stamping out of the disease in Mexico.

SUMMARY OF EXTEMPORANEOUS TALK

by Secretary of Agriculture, Clinton P. Anderson

I appreciate the opportunity to meet today with this unusually representative group of farm program and marketing service administrators. With committeemen here from all forty-eight States and the insular possessions, along with representatives from other types of field offices and the administrative units in Washington, this is a fully representative national PMA conference.

Ed Dodd regrets that he could not be with you here this week. Ed has not been feeling well. I talked with him by phone this morning, and when I found that he was at the office I gave him the first order I have ever given him in the Department. It was, "Go home and get to bed, until you are over this temporary illness." We all miss Ed greatly, but we know that it is best for him to take care of himself.

I was very glad indeed to learn that you gave Dave Davidson such a fine reception this morning on his Conservation talk. Dave has been doing a splendid job, and staying on it, in spite of the fact that his health has not been of the best. I know what it is to keep on working when you are not up to par physically, and it is gratifying to know that you appreciate Dave's ability and loyalty.

I want to express at this time my feeling of pleasure that Al Loveland is coming to Washington to head up the ACP program. I have visited Al in Iowa, have talked to his staff, and I know that he will be of great value to the whole farm program in his new position.

PMA is rapidly coming into its own as the effective agency planned when it was established to bring production and marketing activities of the Department together. Most of the basic administrative adjustments have now been made, and we can look forward to constructive service by the present organization.

I understand that I have been credited with originating the proposal for consolidation of the Agricultural Conservation and Soil Conservation program activities. For the record, I was not in Washington when a Department committee developed this recommendation. I concurred, however, and made the recommendation to the Congress. The Program and Policy Committee, established some months ago to consider plans for long-range agricultural programs, was thinking in terms of the whole Department. The various agricultural programs have come of age since 1933, and we wanted a second look to see how far we had come and how we could best serve the future. Facts on all programs were presented to the Committee. The resulting recommendations,

made after very thorough study, were aimed directly at the greatest possible efficiency.

In connection with the testimony before Congressional committees on long-range policy, I repeated my belief in the democratically elected committee system for handling local planning and administration of conservation and other farm programs. And I repeated my belief that the committees should have specific responsibilities, and not be merely advisory.

Last April, at a Farm Institute meeting in Sioux Falls, South Dakota, I also expressed myself quite definitely on this question of a democratic pattern for farm administration. At that time I said, "Many people have wondered whether in these changed conditions the programs pioneered by the Triple-A would continue. Some have wondered whether officials in Washington wanted to eliminate the democratic pattern established under that program. The fact is that the Triple-A approach right down to county level, and especially at the county level, has proved itself to be the most effective organization thus far devised for administration of any national farm program. A grass-roots administration has to be the basis for any effective program. It will be the basis for the machinery of administration of farm programs in the future, whatever form the programs may take. This country has never witnessed a finer demonstration of the process of democracy in action than has been given, county by county, and community by community, in what has now become the Agricultural Conservation Program, and which is the basis for our whole national farm program effort."

In connection with the Agricultural Conservation Program, we are giving careful and direct attention to the question of appropriations. I have had recent conferences on this both at the White House and at the Budget Bureau. Conservation is a Government responsibility, and it is not and should not be political.

While we all know that we have the basis for a sound, long-range agricultural program in the legislation which is now on the books, we must not be blinded to the needs for the future in our desire to protect the present programs. Some modifications will be needed; there must be some rounding out of provisions.

The parity concept, for instance, is sound, but it needs modernization. Certain weaknesses must be corrected. More flexibility must be provided. Our troubles with potatoes illustrate this fact.

I have been asked whether my recent suggestion that we provide a floor under the consumption of farm commodities meant that I would give up the machinery for production adjustment. I thought I made that point clear in my Congressional testimony. The answer, of course, is "Certainly not." We should first do everything possible to widen distribution and marketing, by putting some floor under consumption, but we must also have the tools for production adjustment where needed.

The case of potatoes can again be used for illustration. We had way too many potatoes in 1946, and a lot of trouble. For 1947, we took definite adjustment steps, and our surplus diversion problems have been held to a minimum.

Foreign relief needs for food, both for the immediate future and for the long-range program, demand much of our attention now. It is obviously important that we continue to do everything we can to produce the maximum of foods which are most needed. It is also important that we substitute some of the more plentiful foods for grains, even though these foods may cost more per calorie unit. In doing this, I hope that we will be able to use special relief funds rather than Commodity Credit Corporation funds in making up the difference in costs. If possible, I think it would be better to keep CCC operations out of relief financing, to avoid the danger of having these relief costs "marked up" in the public mind against domestic farm support.

In connection with foreign relief, I know that you are all actively behind the program to conserve grain. This is vitally important. All Department field agencies, in cooperation with the Land Grant colleges and other local groups, must spearhead the campaign. We must save grain in every way, and stretch out our supplies as far as possible.

There is another conservation program in which our field staffs play a basic part. In cooperation with industry, we have been helping the American housewife to save used fats for a long while now. These savings have represented about 10 percent of our output of inedible tallow and grease. The need is still great. World shortages are still acute. This phase of our over-all conservation effort should be continued vigorously, to salvage as much kitchen grease as possible.

I want to say a word about the foot-and-mouth disease control campaign in Mexico. As Ralph Trigg will explain to you this afternoon, some changes in the program have been necessary. These changes, however, do not in any way indicate that we are giving up our determination to fight for control and eventual eradication. They simply mean that we are shifting to a different method of attack -- one which is more realistic under present circumstances.

There is a tough job ahead. Agriculture is faced with a great challenge. Helping to meet the present world situation, and making the eventual transition to normal peace-time needs, will call for the best that we all have to give. It will not be an easy task, but it will carry with it the satisfaction of high endeavor.

THE WORLD ECONOMIC SITUATION

by Col. R. L. Harrison,
Special Assistant to the Secretary

The present world economic situation is neither all good nor all bad. It varies from relatively good in such countries as the U. S., Canada, Australia, Belgium, Egypt, Sweden, Switzerland and the countries of Latin America to fair in such countries as Holland, Poland, Czechoslovakia, England, India; to bad in Italy, France, Austria and the Balkan countries, to chaotic in the Dutch East Indies, Germany, Japan and China. The exact economic situation in Russia probably is unknown to anyone outside of Russia. However, many things indicate that it is no better than fair and probably bad. The brightest spot in the picture is the United States of America. It is virtually a Rock of Gibraltar in the economic world today. That is, strong but not impregnable. It behooves every one of us to make our country still stronger economically and as near impregnable as possible.

There are many reasons why the world's economic situation is as we find it today. Basically, it is the rather natural aftermath of the first global war in history but this is not the sole reason. It will be somewhat easier for you to understand the present world economic situation if you will recognize that while the world is almost minutely divided politically, it is not so divided economically. Food and raw materials, semi-finished products, finished products, services and communication and transportation systems in normal times flow and operate as a result of natural and economic laws and forces with a fine disregard for political boundaries and in many cases even tariff walls. There are many worlds politically but really only one world economically. No matter how badly the economic world is disrupted or divided, it will always, over a period of time, re-establish itself. This is a most important fact and one that augers well for the future of the world and this country. Many countries have in the past tried to divide the world economically. Russia is endeavoring to do it today. Napoleon tried it during the Napoleonic Wars. In a sense we in this country endeavored to do so in the nineteen twenties and thirties with our policy of isolationism. We found out almost too late that it wouldn't work. Some day Russia will find out the same thing.

War disrupts the world's economic system terribly because the individual nations, to a great extent, confine their economic activities within their own political boundaries. This is particularly true of those countries actually engaged in warfare. Since V-J Day the economic disruption caused by the War has been intensified by endeavors of groups in many countries to make their countries economically self sufficient and also to improve the standard of living of their people by nationalization of industry, socialism, communism and other social changes. Colonial peoples almost everywhere have been striving for independence and freedom from foreign control. Regardless of how one may feel about the long term merits of these programs the immediate effect has been to slow up the re-establishment and rehabilitation of the world economic system.

Civil War in China, the Indonesian War in the Dutch East Indies and the partition of India have all adversely affected the world's post-war economic recovery.

To make matters still worse, the foremost industrial nation of Europe, Germany, has been since V-J Day almost entirely isolated from the world economically. This same isolation has been true of Japan which was pre-War, the principal industrial nation in the Orient.

Inflation and unstable currencies have materially retarded the world's economic rehabilitation. There is a degree of inflation in almost every country and extreme inflation in many, such as China, Hungary, Italy, France and others. This inflation together with arbitrary establishment of unrealistic exchange rates and the inability of many countries, such as England, to exchange currency for goods has resulted in the complete disruption of the world's monetary system and instead of having a free exchange of currency between countries at realistic exchange rates, today the world monetary situation is such that the Swiss Franc, Swedish Kroner and the U. S. Dollar are about the only currencies that have general acceptance, reasonable stability, realistic exchange valuation, and can be, within the limits imposed by export and other restrictions, exchanged for goods.

Many things will have to be done before the world's economic situation taken as a whole will be satisfactory.

The first and most important thing to do is to keep the U. S. strong financially, militarily and economically, producing food, raw materials and manufactured products to the maximum extent possible.

The second is to effect peace treaties with Germany and Japan as soon as possible and allow them, with proper controls to prevent their re-arming or developing a dangerous military potential, to resume industrial production. This is a big order but there will be no real world economic recovery until this objective has been achieved.

Third, the world's currencies will have to be stabilized and realistic exchange rates established for them. This too is a big job and many able men are working on it in many countries. It will eventually be achieved but it will be a long and painful task. The Monetary Fund and the International Bank are both working on this problem.

Fourth, production of foodstuffs, particularly grain, and basic raw materials such as steel, fertilizer, coal and petroleum products will have to be increased in all countries capable of producing them. The Export-Import Bank is lending large amounts of money for this purpose.

Fifth, restore the balance of trade between the Urban and Rural populations of many countries so that the farmer will obtain in payment for what he produces reasonably priced equipment and consumer goods instead of Mickey Mouse money.

Sixth, establish a free flow of raw materials, semi-finished and finished products between all countries. This is a basic necessity and the International Trade Organization is working diligently on the problem.

Seventh, implement the Marshall Plan. The Marshall Plan is designed to accomplish some of the objectives I have mentioned. Personally and without in any way discounting the risks involved in it, I favor the Marshall Plan if properly conceived and efficiently administered. It is not a world economic "cure-all" by any means, but it is a long step in the right direction toward world economic stabilization and rehabilitation. It probably won't achieve all that its proponents claim for it but it will likely achieve more than its detractors are willing to admit. If it is successful most of us here will probably live to see the world restored economically, if it is not successful, I seriously doubt that we will. I think it is worth a try and hope you people feel likewise and will support it. That it can be successful is amply demonstrated by the experience of the United States Government in increasing Philippine copra production after the War.

The future actions of Russia are of tremendous interest to all the peoples of the world but I think they are of particular interest to this group and to American agricultural interests generally for the close of World War II found Russia in control of three of the world's foremost surplus food producing areas, that is Manchuria, the Balkans and Eastern Europe. Just what food exports Russia will permit to be made from these areas is of vital interest to you people, American farmers, and the people of the world generally. At the moment I don't think anyone knows the answer to this question.

I wish I could tell you something about Russia's future course politically and economically. Unfortunately, I can't and I don't know of anyone who can. I do feel that no effort should be spared to bring her into the family of nations as a peaceful, cooperative member. I think that the efforts of our State Department and others to bring this about are well thought out and have at least a possibility of achieving the desired results. But, of course, time alone will give the answer regarding Russia's future course in world affairs.

You folks, I'm sure, all realize that world leadership, whether we like it or not, is now the responsibility of the U. S. Prior to World War I the British were the world's leaders. During World War II I had a good deal of opportunity in my dealings with the British to learn about their tremendous grasp of global affairs. I was quite impressed in discussing various military matters with British officers around the world by their large, first-hand knowledge of the world and its economic affairs. I couldn't help but contrast this with the rather meager amount of such knowledge on the part of many of our own military officers and Governmental people in Washington. That situation too is changing and I see evidence of it almost every day. Not alone are the members of the U. S. military establishments thinking in global terms and learning about world economic affairs, but Government officials are doing likewise and so are the American people such as yourselves. To me it is very gratifying to observe the interest of our people and the members of our Government and Congress in global matters. It indicates that the

responsibility of world leadership is not being taken lightly by Americans generally and that there is a healthy interest being displayed in the problems that arise from being in a position of world leadership. For these reasons I welcome an opportunity to address a group such as this, and, to the small extent I can, contribute to your knowledge of world affairs. I could go on almost indefinitely talking on the subject assigned me, but I believe that the general statements and summations I have made are enough for this time. The next 15 minutes will be a question and answer period during which time I'll be glad to answer, to the best of my ability, any questions that anyone in the audience cares to ask about the economic situation in individual countries or questions about specific world economic problems.

"PMA PROGRAMS UNDER THE RESEARCH AND MARKETING ACT"

by S. R. Newell,
Deputy Assistant Administrator for Marketing

There is nothing that has happened for many years in the field of marketing that has created as much discussion and downright hard thinking on the problems of marketing and distribution as the so-called Research and Marketing Act of 1946. It has been healthy for all of us. We whose job it has been to improve marketing have often thought of things that needed doing but were inevitably brought up short when we reached the point of doing something about it. With the new Act on the books we are faced with the greatest challenge of all time. The statesmanlike attitude taken by congressional leaders in the development of the bill and its unprecedented passage in both Houses without a dissenting vote set the pattern by which our activities in carrying out its provisions will be guided.

The fact that this law has created a great deal of discussion with respect to its provisions is indicative of its scope. First of all, let me explain that it actually encompasses three Acts -- one by Congressman Flannagan, which is primarily Title I of the present Act, one by Congressman Hope, which is now Title II of the Act and designated as the "Marketing Act of 1946", and one by Congressman Andresen. The mere fact that all these bills were rolled into one makes it a very broad law that needs careful study if one is to understand all its provisions. I have read it many times and can still find something new in it.

I can't be exhaustive in a discussion of the Act but for you in the field who are constantly meeting producers and others who want to know about it, let me hit a few high spots. First of all, we in marketing are interested primarily in Title II but we cannot forget Title I (Section 9) which is particularly important to us. It is really an amendment to the Bankhead-Jones Act and provides for additional aid for the experiment stations. There is the provision, however, that 20 percent of this fund shall be spent for marketing, while Section 9(b)(3) provides that 25 percent shall be set up as a regional research fund to be administered by a committee of nine experiment station directors on projects regional in scope. These two restrictions are new and their importance to marketing is obvious. We should be in position to suggest fields of marketing research, both local and regional, in which the experiment stations should be interested. We should be ever-mindful of this and cooperate fully in assisting those agencies in undertaking studies of any marketing problems that are in greatest need of solution. One other point should be emphasized with respect to Section 9. This is the only part of the Act that provides for definite allotment of funds to a State. The basis for allotment is the same as in the Bankhead-Jones Act. I mention this specifically because many people have asked the question as to how much of the other funds are allotted to the States. The answer is no specific amount except that provided for under Section 9.

Section 10(a) provides additional funds for utilization research. This fund is an appropriation to the Department and is to be used in connection with the development and application of present, new, and extended uses of agricultural commodities and products thereof. To the extent practicable the research conducted under this title shall be done in laboratories of the Department. The section also carries authorization for contract research where it can be shown that such research can be carried on more effectively, more rapidly, and at less cost than if performed by the Department.

We are obviously concerned with the work done under this section because marketing is the final step in this whole problem of utilization. A new product has no meaning unless it has economic value and it is at the market place that economic value is determined. Let us therefore, as marketing people, retain our interest in this field and indicate not only what appears to us to be likely fields for utilization research but how the market reacts to new products.

Now just a word on Section 10(b) which authorizes a broad field of research other than utilization. That is a wide range but the section does require that the research be conducted in cooperation with the State agricultural experiment stations or other appropriate agencies mutually agreeable to the Department and the experiment stations concerned. We in PMA are being allotted a small amount of funds under this section in order to provide the means for cooperation on certain of the regional projects which I mentioned under 9(b)(3).

Title II is the important part of the Act to us from the standpoint of our activities. \$2,000,000 was appropriated for this year's operations and PMA has been allotted slightly more than half of the total amount. The funds which are allotted to us or any other agency are based upon specific projects that have been recommended by the various advisory committees and approved by the Administrator of the Research and Marketing Act. This is an important point to remember because there is no free fund under which we can institute any project or program we may wish. It is rather an earmarked fund that must be utilized on the specific project for which it was approved.

Other agencies participating in the funds provided under Title II include Bureau of Agricultural Economics; Extension Service; Office of Foreign Agricultural Relations, Bureau of Human Nutrition and Home Economics; and the Farm Credit Administration, as well as the States. With respect to funds going to the States, it is important to note that these must be matched dollar for dollar by new money provided by the State. A number of States did not get additional appropriations this year for cooperative work but are planning now for next year.

I have spent some time on the Act as a whole because I realize the subject is a live one out in the States and you will be asked about it. Furthermore, if we are to do our job in the marketing field we must be informed on the broader field of fundamental research as well as the marketing work that will be done under the entire Act.

Now for our program in PMA. There is not time to go into the details of the projects that have been approved. There are some 35 of these on which work has already been started. By and large they fall into seven broad categories, as follows:

- I Developing new market information and basic data
- II Developing new and expanded market outlets
- III Reducing marketing costs and margins
- IV Developing new standards and grading to improve marketability of farm products
- V Improving marketing methods, facilities and equipment
- VI Developing new processing and packaging techniques to minimize waste and increase salability
- VII Analyses of demand and consumer preferences for agricultural products

While the program is not complete, the major over-all objective which underlies the entire plan is to improve the efficiency of marketing system, and each project that has been approved is designed to contribute to that objective. For example, we have under the first category a research project the purpose of which is to examine the effectiveness of the market news service. We all know that an effective and efficient market system must have adequate information on market supplies, the prospective supply, the quality of the supply, and the prices prevailing. We have conducted a good market news service since 1915 yet we are not satisfied that it is all that it should be. The study which we are undertaking is designed to analyze the work being done and to point the way for improving the service.

In another project we are undertaking to examine the fundamentals of standards and grades as a whole in an effort to discover ways of improving this service. Developments in recent years indicate the need for adapting the grades for greater use by consumers. This means that greater uniformity of grade terminology will be necessary. It also means that we need to learn a lot more about what consumers really want. In this field we will cooperate with BAE in its studies of consumer preference.

For better and more efficient marketing we need much improvement in our marketing facilities. A big part of our cost of distribution occurs after the products reach the terminal market and if the antiquated methods at these points can be corrected a very considerable reduction in cost can be effected. The livestock yards need to improve their methods also. At the consuming markets one great cost occurs right in the retail store where inefficiency is great, waste through improper handling runs high and poor methods of display reduce the amount of food Mrs. Consumer takes home in her market basket. Projects bearing on all these problems and many others are under way.

In PMA an integrated program for marketing is under way. First of all we have established a Marketing Research Branch, under which there is one Division set up to review all projects being carried out in order to prevent duplication of work and to assure a continuity of effort. The Marketing Research Branch will also carry on research of its own, particularly in those things that cut across commodity lines. For example, in the prepackaging work there are aspects that involve a number of different commodities. In the study of market news methods and techniques that was mentioned earlier and the study of the fundamentals of grades and standards, all commodities are involved and such studies can best be carried out by the Marketing Research Branch.

Marketing facilities work cuts across many commodity fields and this type of work will be conducted in the Marketing Facilities Branch. In cases where a particular commodity is involved the Branch will work closely with the commodity branch concerned.

In the case of projects that are concerned with a particular commodity or homogenous group of commodities, the branch involved will carry out the program. Work on livestock and meats, for example, has been assigned to the Livestock Branch. Work on standards for grain is assigned to the Grain Branch, and similarly work in the field of fruits and vegetables goes to that Branch. The fact is that the PMA program presently under way places the bulk of the work in the commodity branches.

We in PMA are responsible for developing cooperative work with the State Departments of Agriculture. Here is a large field of work that for the most part will be strictly in the service field. We have taken the lead in program development with the States with a view to coordinating the work to be done and developing a unified service in marketing. One thing that we are placing a great deal of emphasis on at the present time is a uniform project that seeks to correct or alleviate that old problem of too much in one place, with consequent waste, while other points, often nearby, haven't enough. There is not time to cover this subject in any detail but we have all seen that the normal pull of scarcity and high prices does not operate quickly enough, particularly in the perishables, to correct maldistribution. The program we are working out with the States is designed to speed up the process through better handling, better grading, and more rapid and effective use of market information. The project with the States has many more possibilities but our immediate aim is to try to get something done to improve distribution.

Several States have already signed up on this project and others are coming in. Virginia, West Virginia, North Carolina and Maine are under way, while Kansas, Illinois, Utah, Wisconsin, and Vermont are all ready to go, and several others are in the making. In all this work the States are matching dollar for dollar the Federal funds provided.

In conclusion I want to emphasize that we are all definitely on the spot to put over this huge program. It is a responsibility for which I have hoped for many years and now that we definitely have it we must do a good job. One of the basic factors necessary to carry out our responsibilities is qualified personnel, and we in PMA are insisting that

people assigned to the jobs be really qualified. We would much prefer to drop a project and return the money rather than put on personnel who are not fitted to do the job. To adopt any other policy would only set the program back and destroy confidence in our organization.

SCIENCE IN FARMING
BY DR. W. V. LAMBERT, ADMINISTRATOR
AGRICULTURAL RESEARCH ADMINISTRATION

I appreciate the opportunity to meet with you. I am well aware of the fine job done by the Agricultural Conservation Program during the war and since. Without this great job, the farmers of the country could not have made such a splendid record during the war.

Mr. Gilmer has asked me to tell you something of the agricultural research program of the Department. I am sure you realize that the subject is so broad that I can give you only a few of the high lights.

To begin with, the Nation has never been so aware of the possibilities of research. This was demonstrated by the passage of the Research and Marketing Act, by action of State legislatures in increasing the appropriations to experiment stations, and by action of industry in increasing its budget for research.

In the year just closing this country has spent 1.1 billions of dollars for research. Of this amount 625 million came from the Federal Government and 450 million came from industry. Eighty percent of the Government expenditures were for military research, 5 percent were for agriculture. The total budget for agricultural research, both State and Federal was approximately 71 million.

The Department of Agriculture now has workers at 150 locations. This number includes a few located outside the continental United States. We have cooperative workers stationed at every one of the 48 State experiment stations and many small State and Federal stations.

One of the most notable products of agricultural research is hybrid corn. One year's gain in yield from the use of hybrid corn at present prices more than repays for all money appropriated to the Department for research in the last hundred years. New strains of wheat make the difference between abundance and scarcity in the United States.

Animal breeding work in progress is equally promising. At Ames, Iowa, hybrid litters averaged 100 pounds more at 6 months of age than standardbred litters at the same age. A new industry is being developed to furnish hybrid boars, and in a few years hybrid feeder pigs should be available to corn belt farmers. We are already growing hybrid chicks for broiler production and for general purposes. We now have about 60 inbred lines throughout the country. The next job will be to find out which of these lines cross well. Within the last few years poultry scientists have learned how to breed strains of chickens that lay better quality eggs with thicker stronger shells.

Soils and fertilizer scientists of the Department are now using radioactive material from Oak Ridge to study the behavior of plants and their requirements for plant food. It is possible that these studies may bring about decided changes in recommendations for use of fertilizer.

New insecticides and new methods of application have completely changed the problem of fighting insect pests. Many of the new materials are not yet standardized and little is known of their toxicity to plants, animals, or the soil. Some of the new compounds are exceedingly promising, but much work yet remains to be done before general recommendations can be made.

Growth regulating compounds are now being used to prevent premature drop of apples, hasten ripening of fruits, produce seedless tomatoes, and as weed killers. The last mentioned use has seen the

greatest expansion in 1947. The herbicide 2,4-D was first used to control weeds in lawns and pastures but is now being used on a large scale to control weeds in small grains, corn, and sugar cane.

Agricultural science has also been active in finding new outlets for farm commodities. A few examples are insulation board and alcohol from cereal straws and corncobs, rutin from buckwheat, antibiotics from tomatoes and other plants, and fibers from feathers.

Sometimes people say we are not using all the information now available. Why make new discoveries, they say, when many of the old ones are not being utilized. My answer is that we must expect a lag between discovery and wide application of knowledge. We must improve our methods of disseminating results of research so that it will receive wider application. We must also strengthen basic research. We must not run the risk of obsolescence. The best information of today may be obsolete by tomorrow. Only through research can agriculture keep pace with the other segments of our economy.

"AMERICAN AGRICULTURE AND EUROPEAN RECOVERY"

By Francis H. Russell, Director, Office of Public Affairs
The Department of State

The purpose of the proposed program of United States assistance to Europe, popularly known as the Marshall Plan, is to provide the 16 participating countries of Western Europe with sufficient food and other essential materials to enable them to get on their own feet economically and cease being dependent on relief from the outside. To accomplish this purpose, the 16 European countries have pledged themselves to make the most of their own resources, working both separately and as a group, and to make the most efficient use of aid from abroad.

Our government is now considering to what extent the United States should aid the European countries in their effort to increase their own production so that they can again become self-supporting by 1952. The President has submitted to Congress his recommendations for a four-and-one-quarter year program costing a total of 17 billion dollars, of which he recommended that 6.8 billion dollars be appropriated for the first fifteen months, beginning next April 1. In the opinion of the Executive Branch of the Government, these amounts are the minimum necessary to do the job.

The American self-interest will be served in many ways by adoption of a liberal plan of assistance. In the first place, it underwrites a large export trade for the next four years--that long, definitely. In addition, in helping to restore the economies of our best customers, we are underwriting their ability to continue mutually profitable trade relations with this country after 1951. And we are lending our support to the building of a stable, prosperous world. The proposed aid to Europe will help to preserve the democratic way of life, whereas continued misery and despair might ultimately lead to totalitarianism in one form or another.

Even the soil of Europe is hungry. Farm land was intensively cultivated during the war and very little plant food was returned in the form of fertilizer. This has resulted in lower yields per acre. One ton of nitrogen will produce twelve additional tons of wheat, and Europe is short 352,000 metric tons of nitrogen for the current crop year. But Europe has an idle capacity capable of producing 380,000 metric tons of nitrogen, provided coal is available. The United States seeks to stimulate greater European coal production, which in turn would relieve steel and food shortages.

For the American farmer, the maintenance of European markets is an indispensable requisite for continued prosperity. Before the war this country sent abroad about 2 percent of its farm output, whereas today 10 percent or more of the products of our farms is going to foreign countries. In 1947 the United States exported more than 15 billion dollars worth of goods and services. A large share of this consists of food and other agricultural products to prevent starvation. In fact, the resourcefulness and efficiency of the American farmer has enabled the United States to send food to other countries during the past fiscal year

at the rate of 271 pounds of food for every man, woman and child under the American flag. At the same time the average American family has set the best table in history.

In meeting these needs, the American farmer has prospered as never before. Gross farm income in 1946 amounted to 28.1 billion dollars; in 1941, 13.9 billion dollars; in 1932, 6.4 billion dollars. In other words, the farmer's income during 1946 was double what it was the last year before the war and four times what it was in the depth of the depression.

The Marshall Plan seeks to continue that prosperity through the maintenance of overseas markets for agricultural products. The relationship between farm income and foreign trade arises not only from the importance of the export market to many agricultural products of this country but, equally important, from the fact that international trade stimulates domestic trade, thereby increasing the domestic market for agricultural products. History has shown that when our foreign trade diminishes the farmer suffers. For example, during the domestic depression years between 1929 and 1933 United States exports declined from \$5,241,000,000 to only \$1,675,000,000 and total imports declined from \$4,399,000,000 to \$1,323,000,000.

Aside from our desire to help those who fought beside us in a common cause and aside from purely humanitarian reasons, we have found from repeated experience that general prosperity for our nation as a whole means prosperity for all segments of our economy--labor, industry and agriculture alike. The United States emerged from this war with its industrial capacity almost doubled and its agricultural capacity almost one-third greater. Today our productive capacity supplies export needs which absorb the goods produced by one out of every ten American workers.

Obviously we cannot contribute to the solution of European recovery without some sacrifice. The studies which have been made of our national economy and the impact of foreign aid indicate, however, that we can make the necessary contributions from this country without serious strain, provided the resources of Europe are fully utilized. Most of the supply problems are of a short term nature. They will be most critical during the coming year and will tend to diminish during the contemplated four-year period of foreign aid, as increases in domestic production capacities are realized and as foreign needs for many critical items taper off and Europe's production climbs.

Domestic prices should not receive any serious inflationary impetus from the Marshall Plan for two reasons: (1) The current plan does not call for any sizable over-all increases in our exports--in this sense it is merely an extension of what we have been doing for the past two years; and (2) the recipients of this aid will not be permitted to buy competitively on the open market--purchases of items in short supply in the United States would be made by the United States Government, with due regard to availabilities.

IMPACT OF OUR EXPORT PROGRAM ON THE UNITED STATES ECONOMY
by C. C. Farrington, Asst. Administrator CCC

Fortunately, during recent months, considerable work has been done in the field of export requirements and their effect on the U. S. economy. The Krug report on Natural Resources and Foreign Aid, the Harriman report on European Recovery and American Aid, and the report by the Council of Economic Advisors on the Impact of Foreign Aid on Domestic Economy all throw some light on this subject and my remarks today will be based largely on the material in those reports.

In view of other talks scheduled regarding the European Recovery Program, it will not be necessary for me to go into the need for, or, the details of, these programs. However, I do want to call your attention to some of the summary figures on the magnitude of export requirements in terms of dollars and percentages and in terms of commodities.

Exports of goods and services during the second quarter of 1947 reached an annual rate of 21 billion dollars, and, for the entire first six months of 1947, were at an annual rate of 20 billion dollars. During the same 6 months period, we were producing goods and services at a rate of about 225 billion dollars. Exports, therefore, were about 9 percent of our gross national product.

While this percentage may not sound very high it compares with about 7.5 percent for 1946 and a 1935-39 average of between 4 and 5 percent. We have to go back to 1919 to find a period when exports were as high as 10 percent of our gross national product.

The Committee of Economic Advisors in evaluating the impact of foreign aid upon the domestic economy assumed that during the next 4 or 5 years our exports would continue at a high level, but they did not foresee at any time a level of exports greater than during the second quarter of 1947 and they assumed that after 1948 exports might be on a somewhat lower level. There seems to be a good basis for such an assumption.

On the basis of this assumption there seems to be general agreement among the groups studying the problem that as a general proposition we are fully capable over the next four years of carrying out an export program of the size required to affectuate the European Recovery Program, although difficulties will be encountered with respect to individual commodities particularly grain and steel. In support of this conclusion it has been pointed out that during the war we devoted up to 40 percent of our gross national product to the prosecution of the war. Surely 10 percent is not too much to devote to the winning of the peace. As the Council of Economic Advisors said "If the country could support a war program, it can support any lesser program -- if the reasons are sufficiently compelling."

In analyzing the financial impact of foreign trade on the domestic economy we must look not at total exports but rather at the extent of the "export surplus" or the difference between the goods and services exported and the goods and services imported. When domestic demand is high the export surplus limits domestic consumption and creates inflationary pressure. When domestic demand is low, an export surplus would tend to supplement domestic demand and aid in sustaining employment and production.

The proposed foreign aid program is a means of financing a part of the export surplus, thereby maintaining a large volume of export during the next few years at a time when there is an urgent need for our exports and when goods and services cannot be supplied to us in sufficient volume to pay for such exports.

Suppose we look for a minute at the size of the export surplus. As I said a moment ago, during the first 6 months of this year we were exporting goods and services at the rate of 20 billion dollars per year. During the same period imports of goods and services were running at the rate of about 8 billion dollars per year. Our export surplus therefore was about 12 billion dollars. This means that about 60 percent of our exports were being paid for by means of loans, grants, shipments of gold, sale of securities, etc. The actual financing of the export surplus during that 6 months on an annual rate basis was about as follows:

U. S. Government aid--6.2 billion dollars or 52%.

Liquidation of gold and short term capital--4.6 billion dollars or 38%.

Private gifts and remittances--650 million dollars or 6 ~~pe~~

Other means--400 million dollars or 4%.

In the absence of any new foreign aid programs it is estimated that by the latter part of 1948 the export surplus could not exceed an annual rate of 4 to 5 billion dollars. If our imports of goods and services remain at the 8 billion dollar level, our total exports of goods and services in the latter part of 1948 would be reduced to an annual rate of not more than 13 billion dollars as compared with the 20 billion dollar rate during the first 6 months of 1947.

A reduction in the export surplus is expected to take place gradually over a number of years even if a new program is authorized. But in the absence of further aid programs the decline in exports would be rapid, requiring quick and extensive adjustments in the domestic economy.

Both the Harriman Committee and the Council of Economic Advisors have stated that such an adjustment could be made and that it is a mistake to suppose that we are dependent upon the current size of the export surplus in order to preserve or insure our prosperity. In the report of the Council of Economic Advisors we find this statement. "The motivation of our foreign economic policy does not rest upon fear of depression at home but upon an enlightened self-interest in peace and prosperity throughout the world." That is of course the primary reason but assurance of large exports for the next few years is a pretty good insurance policy and a large volume of export is of particular interest to farmers.

The Harriman Committee estimated that about 5.75 billion dollars of foreign aid would be required in the first year and between 12 and 17 billion dollars in the entire four-year period to finance the necessary export surplus and permit exports to flow in the volume needed to carry out the European Recovery Program. The United States, during the past 2 years, has been covering the European foreign exchange deficit at the rate of over 4 billion dollars per year, and we are, of course, committed to extend at least one more major outlay for occupation costs. Therefore, a program of the magnitude estimated by the Harriman Committee would require only a continuation and a moderate increase for the first year or two of what the United States has been doing.

The Council of Economic Advisors points out that foreign aid to date has been financed with revenues derived from taxation and not through increasing the National debt. They point out that this policy should continue so long as our own economy continues to operate at high levels and under inflationary pressure, since government outlays which are paid for with taxes are less inflationary than those paid for by borrowing. They add that even had there been a smaller foreign aid program in the past, and even without a new foreign aid program, it would be undesirable to reduce the level of taxes while such pressures exist. On the other hand, a new foreign aid program should not call for increased taxes. They state, further, that since the general impact of a new foreign aid program would be no greater than the recent impact of foreign aid, such a new program would not increase inflationary pressures above recent levels and therefore would not call for still higher taxes as an anti-inflationary measure.

As the Harriman Committee points out, however, over-all aggregate figures do not tell the whole story regarding the impact of the program upon the American economy. It is interesting to know that the aggregate productive capacity of the United States is ample and that total and net exports over the next four years probably will be less than in 1946 and 1947. But the real effects of the program arise out of special situations which may lead to serious repercussions throughout the entire economic structure.

Therefore, we should examine briefly the facts with respect to certain key commodities or commodity groups. Food, steel, and steel products, coal, and fertilizer are items of key significance because foreign demand for these goods is especially urgent whereas they are in relatively short supply in this country.

Food We are exporting currently about 9 percent of the food produced in this country and these exports make up about 16 to 18 percent of the total value of our merchandise exports. During fiscal year 1947 total distribution of food from U. S. supplies was about 36 percent above the 1935-39 average. Civilian per capita consumption was about 18 percent above prewar and, with an 8 percent increase in population, accounted for about 2/3's of the increased supplies of U. S. foods.

Exports, including Army shipments for civilian feeding in occupied areas, accounted for less than one-third of the increase in supplies as compared with pre-war. Sixty-one percent of our food exports in 1947 fiscal year went to Europe, and grains made up 80 per cent of our food exports on a tonnage basis.

Exports of grain and other low cost foods are expected to continue at a high level throughout the period covered by the European Recovery Program. This means a probable need for planting relatively large acreages of grain crops and using domestically a smaller percentage of those crops than has been customary in the past. This may necessitate a postponement of several years in the shift toward a more definitely livestock economy and the achievement of a better balance between soil-depleting and soil-conserving crops, which is one of our long time objectives. The continuing need for large acreages of grain crops makes a vigorous and well financed program for carrying out of conservation practices a matter of primary importance.

Under present conditions of dollar shortages and nutritive deficiencies abroad, the tendency to concentrate on grain exports is easily understandable when we consider the relative costs of grain. On

the basis of a diet of 2500 calories per person per day, a dollar spent for meat will provide only a one day's supply of calories for one person. One dollars worth of wheat or sugar will provide the calories for about twelve persons for one day. A dollar's worth of dried fruits will feed about 4 to 6 persons for one day.. In the form of canned fruits and vegetables \$1 will in most cases provide less than a one-day diet of 2500 calories.

There are, of course, factors other than calorie cost which should be taken into consideration both from the standpoint of balanced diets, abroad and the economic impact at home, but we cannot ignore calorie costs.

According to the Harriman Committee, food represents the largest single portion of the foreign aid request and is the scarcest commodity involved in the program. They point out that a sharp rise in the price of food has serious repercussions throughout the economic system. Food is the most important item in the family budget and, because purchases are made daily, rising prices bring quick and insistent demands for compensating adjustments in wages. Such wage increases have been granted freely in the past in order to avoid work stoppages that are still more expensive. These wage adjustments have led to advances in prices of industrial products. They conclude with this statement, "The impact in this quarter, then, is clear. The billions of dollars which would be expended for foodstuffs under the plan would, of themselves, have no serious effect on the economy. But the withdrawal from American markets of the food which they would purchase would exert a seriously inflationary effect."

Fertilizer The fertilizer situation is of course, directly related to the food production problem. Although fertilizer consumption in this country has doubled within recent years, American agriculture would readily absorb the full output of the fertilizer industry and increased quantities are needed if we are to render maximum aid to Europe. But, on the other hand, European agriculture stands in even greater need of additional fertilizers. The Harriman Committee concluded that sound policy dictates a substantial allocation of our nitrogen supply to Europe next season and that even if this means smaller agricultural production here, it would, on balance, mean a gain in the over-all food situation.

Coal The current level of coal production is high enough to make possible the required shipments to Europe without leaving deficiencies here. Price generally do not appear to have been increased by the large foreign demands, and, after the first year, European requirements should steadily decline. The Krug report indicates that the problem of producing enough coal to meet our own requirements and those for export is not a coal-resource problem but primarily a transportation problem. Normally our coal exports except to Canada are nominal. In 1946, overseas exports reached almost 4 percent of total production of coal and in 1947 they may approximate 7 percent of production.

Steel Total production of rolled steel products during the first half of 1947 was at an annual rate of about 62 million tons as compared with less than 35 million in 1939. Exports in the first 6 months of 1947 were at a rate of $6\frac{1}{2}$ million tons per year or slightly more than 10 percent of production. The steel problem is one of great complexity and difficulty and maintenance of substantial European demands will aggravate a serious domestic supply situation. Notwithstanding the expected increase in steel production capacity of 1948, the supply will not be sufficient to meet overall requirements. The supply of certain kinds of steel has been

far from adequate during the present year and this situation may be expected to continue. A greater allocation of steel to meet foreign requirements would restrict U. S. production in such important fields as farm machinery, and building materials. Supplies made available for export should be channeled to the most important uses, and supplies should be assured for essential needs here at home. The Harriman Committee reached the conclusion however, that the repercussions of European steel requirements will be less serious than those arising from the food situation.

The total picture seems to be that we are fully capable of doing the job but we will have to make some sacrifices if we agree to carry out an adequate European Recovery Program. The important thing is to see that the job is done and done right. The impact of failure will be infinitely more devastating than the impact from carrying the program through to a successful conclusion.

An expenditure of 12 to 17 billion dollars over a 4-year period is a sizeable expenditure but it is small in comparison with the 300 billion dollars we spent on World War II, and an estimated 200 billion dollars worth of lost production in the depression of the thirties because of unemployment.

The greatest danger is that we may stop short of achieving our objective. After all, the amount of aid required is an estimate of the Price that must be paid for certain important benefits. As the Harriman Committee points out, "those benefits are human, economic, and political; they include the preservation of a certain kind of society and it is hoped, the prevention of World War III." That Committee emphasized its profound belief that there could be no more wasteful procedure than to make too small an investment, and that, if too narrow a concept of what is needed for recovery prevails, the recovery program will degenerate into costly relief.

"SUMMARY OF THE MARSHALL PLAN"

by Frederic B. Northrup, Director
Price Support and Foreign Supply Branch

The people of the United States through their Congress now have under consideration--for approval or rejection--a plan for European recovery which can best be described as the greatest "calculated risk" ever taken by any nation during peacetime. That plan has now become known as the Marshall Plan, but in terms of its formal presentation to the American Congress is now known as the European Recovery Program.

Before going into any of the details of the plan it might be well to trace briefly the steps which have occurred leading up to its present status. We start first, of course, with Secretary Marshall's Harvard speech on June 5 in which he sketched the broad outlines of an idea predicated basically upon a plan for U. S. aid supplementing Europe's own plan for selfhelp. Following Mr. Marshall's speech the European nations of their own initiative gathered together at what is now known as the Paris conference, beginning on July 15. During that conference delegates from each of the 16 nations of Western Europe, who finally accepted the Paris invitation, put together what has now become known as the report of the committee for European Economic Cooperation. On or about September 22 the mimeographed copies of this proposal, or in other words the report of the Paris Conference, were flown by courier from Paris to Washington and submitted to the Department of State. Between that date and October 10 there were created within the government at the request of the Department of State a series of interdepartmental government committees vested with the responsibility of analyzing and appraising the various parts of the Paris report. About October 10 there began a series of conversations between representatives of this government and European delegates from the Paris Conference who had come to this country to further enlighten this government on many of the phases of the Paris report. At the conclusion of these conversations the various interdepartmental committees prepared during the next two months detailed appraisals of the Paris report together with suggested U. S. estimates indicating the degree to which the various committees felt it was believed the U. S. could implement the requests from Paris. All of these various reports have now been consolidated into a unified presentation to the Congress which will begin to consider the European Recovery Program at its regular session early in January.

I believe it would be helpful to sketch very briefly the basic elements and objectives of the European nations as embodied in the Paris Conference report. First of all, it seems to me that the simple fact of the agreement itself signed by representatives of the 16 nations to engage in a program of mutual self-help aided by external assistance from the U. S. is of basic and historical significance. It simply means that the 16 nations mutually agreed among themselves that their long-term interests were more closely tied to the west than to the east. Second, the European nations, individually and collectively, agreed to certain specific objectives that they pledged themselves to achieve within the 4-year term of the plan. Those objectives are as follows:

First, with respect to food, to re-grain their prewar level of grain production, with substantial increases in production in sugar and potatoes over prewar, some increase in fats and oils, and an increase in the level of livestock numbers from present low levels as rapidly as feed supplies will permit.

Second, to increase coal production by one-third or slightly above the 1938 level.

Third, increase production of electrical power by 40 percent or two-thirds above prewar.

Fourth, increase oil refining capacity 2-1/2 times the prewar level.

Fifth, increase steel capacity above present levels by 80 percent or 20 percent above 1938.

Sixth, increase the inland transportation facilities 25 percent above 1938.

Seventh, restore the prewar merchant fleets.

Eighth, attempt to supply most of their needed capital equipment from their own European production.

It is interesting to note the present estimates of overall costs to the U. S. of implementing the European Recovery Program. Over a 4-1/4 year period beginning April 1, 1948, and ending June 30, 1952, it is estimated that the plan will cost in the neighborhood of 17 billion dollars exclusive of stabilization loans which might be made by the International Bank. For the first 15 months period ending June 30, 1949, it is estimated that it will cost the U. S. 6.8 billion dollars of which about 1-1/2 billion dollars will be required for the last 1/4 of this current fiscal year. It is expected that aid in this amount will be furnished to the European countries either in the form of grants or in the form of loans or both. Decisions as to whether it is to be grants or loans in individual countries is to be based largely on the ability of the country to pay. However, in other terms, it is expected that the aid will be extended in the form of grants for such quick consumption items as food, fuel, and fertilizer, and in the form of loans for longer-term capital equipment needs. It should be noted at this point that even though the Congress approves the Administration's proposal in the full amount as I have just estimated, the total U. S. export surpluses to the entire world will be somewhat less than the high rate of exports during this past year.

I should now like to indicate to you a few facts about the food and agriculture part of the European Recovery Program, with some indication as to the degree to which we now believe the European countries can achieve their food and agriculture objectives. Unfortunately, the initiation of the European Recovery Program has to be viewed in terms of food against a background of world food supplies so critically short that millions of people of Europe and other parts of the world are facing in the next few months diets reduced even below the levels existing last

summer. More favorable weather conditions in Europe, however, should bring some help during the next crop year but it will take 3 or 4 years of relatively favorable conditions before adequate food supplies for efficient work and satisfactory living can be achieved. There are 3 main reasons for this critical situation:

1. There has been this year a very sharp drop in food production in the deficit food producing areas, particularly Western Europe, caused by last winter's freeze and a severe drought last summer. As a result, cereal import requirements sufficient only to maintain last year's level of consumption in the deficit areas are 6~~to~~7 million tons more than a year ago, whereas supplies available from the exporting countries are in total only about as large as last year.
2. The Far East has not yet returned to its prewar export position. Prewar, the Far East was a net exporter of 4-1/4 million tons of foodstuffs a year. In 1947 the Far East will be a net importer of 6-1/2 million tons. This shift in the food position of the Far East has reduced the exportable supplies of food available to the other deficit food areas by about 11 million tons.
3. Monetary and political barriers have reduced the maximum availability of food supplies from certain Eastern European and Western Hemisphere surplus food producing countries. The extent to which this situation can be mitigated will depend upon weather conditions and the action taken with respect to (1) the efforts to maximize collection of indigenous supplies of food and a re-examination of food producing plans for next year within the European countries, (2) efforts on the part of exporting countries to maximize exports to deficit areas, (3) maintenance and strengthening of international machinery for allocations of foodstuffs and fertilizer in short world supply, (4) provision or maintenance of adequate export or allocation controls in exporting countries to implement international allocation recommendations.

In the absence of comprehensive financial aid from the U. S. during the next few years food, even if available in countries with export surpluses, will not move to Western Europe because of payment difficulties. In this event a decline in the level of food consumption in Western Europe to disastrous levels is almost inevitable. However, with adequate U. S. assistance it is anticipated that by 1952 Western Europe can reach a level of economic activity which would permit it to pay for its continued import food requirements.

In order to properly appraise the European Recovery Program insofar as the food and agriculture part is concerned, it is well to keep in mind the two most important characteristics of Western European agriculture before the war.

First, it was a net importer of most of the basic food commodities and it included in the United Kingdom the world's chief importing country; second, it drew upon the rest of the world for feeding stuffs on which a highly developed livestock industry had been built based in several countries upon the export of livestock products. For most of

the countries of Western Europe this highly intensive livestock economy provided a standard of living which was among the highest in the world. It is to that kind of an agriculture that the Western European nations hope to return during the next 4 years. The present position of the government is that the objectives of the Western European nations as expressed in the Paris report are reasonable and are objectives toward which the aid requested of the United States should be directed.

Time will not permit us to discuss in detail all of the objectives of the food part of the program for each of the important food commodities. A short discussion, however, of the grains problem, both breadgrains and coarsegrains, might be desirable since our ability to meet the import requests under the plan have and will continue to receive an important amount of consideration by not only government people, the American Congress, but others all over this nation. Let me give you a few interesting figures. This year the United States currently has planned for export 520 million bushels of all grains, of which 450 millions are wheat (or flour in wheat equivalent terms) and 70 million bushels of other grains. A little more than 65 percent of these amounts will move to the 16 countries of Western Europe and Western Germany. Of course, it has only been possible to program the exports of grain at such high levels this year because of the very favorable wheat yields this year. For the next 4 years we estimate that in order to meet the requirements of Western Europe as well as other countries of the world which will continue to depend upon this country for their grain imports, we probably will export somewhere in the neighborhood of 400 million bushels of all grains for the first 2 years and 350 million bushels for the last 2 years of the program to all world destinations. Roughly, about 60 percent of these amounts would go to the Marshall Plan countries. Translating these amounts into acreages of wheat and corn in this country this means that we will continue to plant in this country approximately 75 million acres of wheat and 92 million acres of corn and with average yields we would expect to have a total wheat crop of about 1 billion bushels and a corn crop of about 3 billion bushels. Another way to state the problem is that so far as now can be foreseen there will be a continuing export demand for wheat and coarse grains which would justify a production in this country of about these amounts.

Let me now in just a moment or two summarize the broad implications involved in the European Recovery Program from the standpoint of United States agriculture. First, let us assume that the Congress does not authorize any European Recovery Program. I am sure that we can all anticipate the answer if that should happen. There would undoubtedly be a collapse of international trade not only in agriculture products but in many other important lines. With no export market for agricultural products or one sharply reduced because of inability of European countries to pay for their imports it would mean the beginning of a sharply downward spiral in production of all goods in this country and a consequent lessening of domestic demand, for the products of American farms.

If, however, an European Recovery Program of sufficient size is authorized by the Congress it will mean a continued assured export market for substantial quantities of American agricultural products certainly during the program period. At the same time we can anticipate a continuing high domestic demand for our farm products.

After the end of the European Recovery Program which now is planned as June 30, 1952, what will the situation be? If, as contemplated under the plan, European production of export goods is achieved at substantially the planned levels it should be sufficient to enable those countries by that time at least to export sufficient amounts so that they could then pay for continued imports of U. S. agricultural products. It may not be necessary to continue exports for the U. S. at as high a level after 1952 particularly in grains, as during the early years of the plan but certainly in amounts substantially above our prewar levels to those same countries. I do not need to tell you people the importance of achieving that kind of an objective. In conclusion, I wish to emphasize what seems to me to be the extreme importance of farm people throughout this country being as fully informed as possible about the basic objectives of a European Recovery Program. You are the people, here in this audience, who can be the most helpful in creating that understanding among the people in your own States and communities.



"THE SCHOOL LUNCH PROGRAM"

By Paul Stark, Director, FDP Branch

I welcome this opportunity to speak to you briefly about what we are doing in the School Lunch Program. This is the first time I have been privileged to speak to such a representative group of PMA and departmental officials. It is a good thing from our standpoint because we would like your complete understanding of our activities, your continued help and your guidance.

You will recall what our Administrator said in his address to this conference Monday morning. He said: "We should in some way put a floor under food consumption--a floor that would make for national health and agricultural prosperity." And he added: "An integral part of such a program would be a continuation of the National School Lunch Program." I know that both Jess and Ralph feel very deeply the tremendous long-time as well as short-time significance of this program to our farmers and to the Nation's agriculture.

With respect to this year's operations, Federal-State agreements have been signed in all States except South Dakota where apparently there will be no program in the public schools because of the failure of the State legislature to provide authorization for the program. In all other States, the program is well under way. And, almost without exception, the very finest spirit of cooperation exists between the State Agency and our Area offices.

Don't get the idea, however, that everything is rosy. That isn't the case. Many of you, particularly PMA State Committeemen and others who were more directly concerned with the program during the last year, are familiar with the difficulties encountered during the first year of operation under the National School Lunch Act. Some of those problems have been overcome--some have not. And I should like to discuss a few of these with you.

Since the enactment of the National School Lunch Act in 1946--in fact since the Congressional Hearings which preceded its enactment--it has been apparent that Congress intends that the School Lunch Program shall be operated as a grant-in-aid program. We agree with this idea. We feel that the States should assume their proper share of the responsibility for administration of the School Lunch Program, and we are moving as rapidly as possible in that direction. As a practical matter, however, the transition could not be effected immediately and only now is the program beginning to assume the aspects of a true grant-in-aid program.

One of the major obstacles to immediate assumption of increased responsibility by the States has been the inadequacy or non-existence of State legislative authority or appropriations. As a result, many States are now operating under such restricted budgets and with such inadequate organization as to preclude satisfactory execution of the programs by the State Agency. On the other hand, a few States have both adequate legislation and competent organizations and are doing

a splendid job. The outlook for next year for the "have not" States is not too hopeful since very few State legislatures are scheduled to meet in 1948.

We feel that in the realm of State relations you State PMA Committeemen can be of material assistance. You meet and work with many groups within your State that are striving to improve farm markets and stabilize agricultural income. The School Lunch Program can make an important contribution to the achievement of these objectives. From your own knowledge of conditions you can emphasize to these groups the importance to farmers of having adequate State school lunch legislation and competent personnel to administer the program. In many other ways you can help PMA to improve the School Lunch Program and I am sure you will continue to do so as you have in the past.

We are well aware of the difficulty schools now face in providing a nutritious lunch at a price the child can afford to pay. Since 1943 when the maximum rate of indemnity was fixed at 9¢ for a Type A meal the cost of food has risen more than one-third. At the same time, other operating costs were also increasing.

Nevertheless, because of the need to offer assistance to an increasingly larger number of schools, it has not been possible for the Federal Government to increase its rate of cash reimbursement.

Accordingly, it is necessary that schools meet this situation either by serving less nutritious meals or by securing more funds locally. A reduction in the nutritive content of the meals would, of course, tend to nullify the objectives of the National School Lunch Act and could not be condoned by the Federal Government. Consequently, it has been necessary to meet these increased costs from other sources within the States. While State and local governments are constantly increasing their contributions to the program most of the burden of these higher costs falls upon the children in the form of increased charges for the lunch.

Although the Act requires that the schools receiving Federal assistance serve free meals to children unable to pay, the increase in the price charged to paying children is invariably accompanied by a decrease in the number of children participating. For instance, last spring in Detroit the price of Type A lunches was raised from 20¢ to 23¢. Immediately the number of children being fed dropped off 20%. Later the price was raised to 26¢ and another drop of 20% was experienced. In Chicago an increase in prices of 10¢ between May 1946 and May 1947 brought about a drop of 28% in participation. It is quite obvious that such decreases represent children who cannot afford the additional charge--the same children who most need a complete nutritious lunch at noon. Schools are reluctant to increase meal charges to children for this very reason. However, an increasingly larger number of schools are now finding that they must take this step or cease operating.

In some States applications for assistance have been so heavy and funds so short that the State Agency administering the program has made further cuts in the already low rate of reimbursement in order to assist more

schools. While the States are under tremendous pressure to take on additional schools, cutting the rate of assistance is certainly of no value to the overall program.

Then, too, there is a practical limit to which rates of reimbursement can be cut. From our experience we have found that when the reimbursement rate falls below 5 cents per meal, the charges to children must be increased to a point where participation is too limited to justify continued lunchroom operations by the schools.

Mr. Farrington, the Assistant Administrator of PMA, in presenting the long-range agricultural plan of the Department to Committees of Congress recently had this to say about the National School Lunch Program: "We certainly need to retain and expand our school lunch program and keep it operating at all times. . . .the expansion of this program to serve all school children would not only improve their health during a vulnerable stage of their development but would also result in tremendous expansion in the market for such foods as milk, eggs, meat, fruits and vegetables. Furthermore, it would have great educational value in improving food habits, not only of children, but to a lesser extent of their parents."

In our natural enthusiasm for the School Lunch Program because of its humanitarian aspects we sometimes overlook the importance of the program as an outlet for farm commodities. From July of 1946 to July 1947 schools participating in the School Lunch Program purchased food commodities valued at more than 128 million dollars. This represents among other commodities, 822 million half-pints of milk, 46 million pounds of meat, and 264 million pounds of fruits and vegetables. These are just a few of the major items. The total of 880 million pounds represents a sizable outlet--it can mean the difference between stable and over-burdened markets. Nevertheless, we have no more than scratched the surface. As compared with our present participation--6 million children (with another million receiving some commodities under Section 32), total U. S. school enrollment is approximately 25 million. Furthermore, less than two-thirds of these 6 million children are now receiving a complete Type A lunch with milk. We have concentrated our efforts on increasing the percentage of children receiving the complete noon day meal. Last year, almost 60 percent of the meals served were Type A with milk, compared with 38 percent in 1943-44.

In addition to the quantities of food I mentioned, the School Lunch Program provided outlets for large quantities of commodities bought for distribution to the schools under Section 6 of the Act, and for still larger quantities bought under Section 32 Price Support Operations.

The responsibility of American farmers is to produce food in sufficient abundance to feed people. In meeting this responsibility, our American farmers are not only making it possible for Americans--men, women and children--to eat better, but are also developing a wider market for their products. High production and efficient distribution are the basic means by which we can increase the nutritional level of our country. Underconsumption of nutritious foods by our school children

would not only violate the objectives of the National School Lunch Act but would be noticeably inconsistent with our responsibilities to this most important segment of our population.

These remarks all point to our general recognition that, for the most part, agricultural surpluses result from under consumption of food among our own people. This fact has become clearly evident in the present period of full employment and high national income when supplies of many essential foods are generally insufficient to meet total demand. However, even with the present prosperity, shifts in the over-all foreign and domestic demand for certain foods have resulted in temporary but price-depressing surpluses. Also, certain seasonal surpluses are unavoidable. This is particularly true in the case of many fruits and vegetables.

We feel that one of the most effective methods of alleviating this condition is through our Direct Distribution and Food Preservation Programs. As you know, under Direct Distribution the Department distributes fresh fruits and vegetables and other foods purchased as part of its price support or surplus removal programs. Despite all of our efforts to balance production and consumption through normal trade channels, frequently the only alternative to a completely disorganized market is for the Department to step in and buy part of the supply. As large a part of these purchases as is possible are turned over to schools, charitable institutions or welfare recipients because these are the domestic outlets which will cause the least interference with the movement of commodities through normal channels of trade. These donations supplement the food supplies these groups are able to purchase with their limited budgets. Thus direct purchases have a stabilizing effect upon farm prices during times of peak production, and Direct Distribution prevents waste of purchased foods by utilizing them in improving the diets among groups where poor nutrition is most apt to be prevalent.

This fiscal year will see an increase in the quantity and value of commodities distributed. During the year ending June 30, 1947, close to 300 million pounds of commodities, valued at \$11,000,000 were distributed. Already this year more than 250 million pounds of agricultural products valued at \$33,000,000 have been distributed or are in the distribution process.

In order to effectively move this greatly increased volume, the Branch has been concentrating its efforts the past 5 months on consolidating distributing agencies. It has been our goal to have one central distributing agency in each State. This has been accomplished in a majority of the States. Some idea of the progress made can be gained when considering specific areas. In the Midwest area of 11 States, the total number of distributing agencies on July 1, 1947, was 73. Now 22 distributing agencies handle direct distribution functions. In these 11 States of the Midwest area the volume of commodities actually distributed in the first three months of this fiscal year has increased more than 25 percent over the same period last year. In the Southern area of 9 States, 27 distributing agencies were handling commodities on July 1, 1947. Now there are 13. Here again, the volume distributed in the first three months has increased nearly 40 percent. The establishment of a single State distributing agency has the double-barreled effect of,

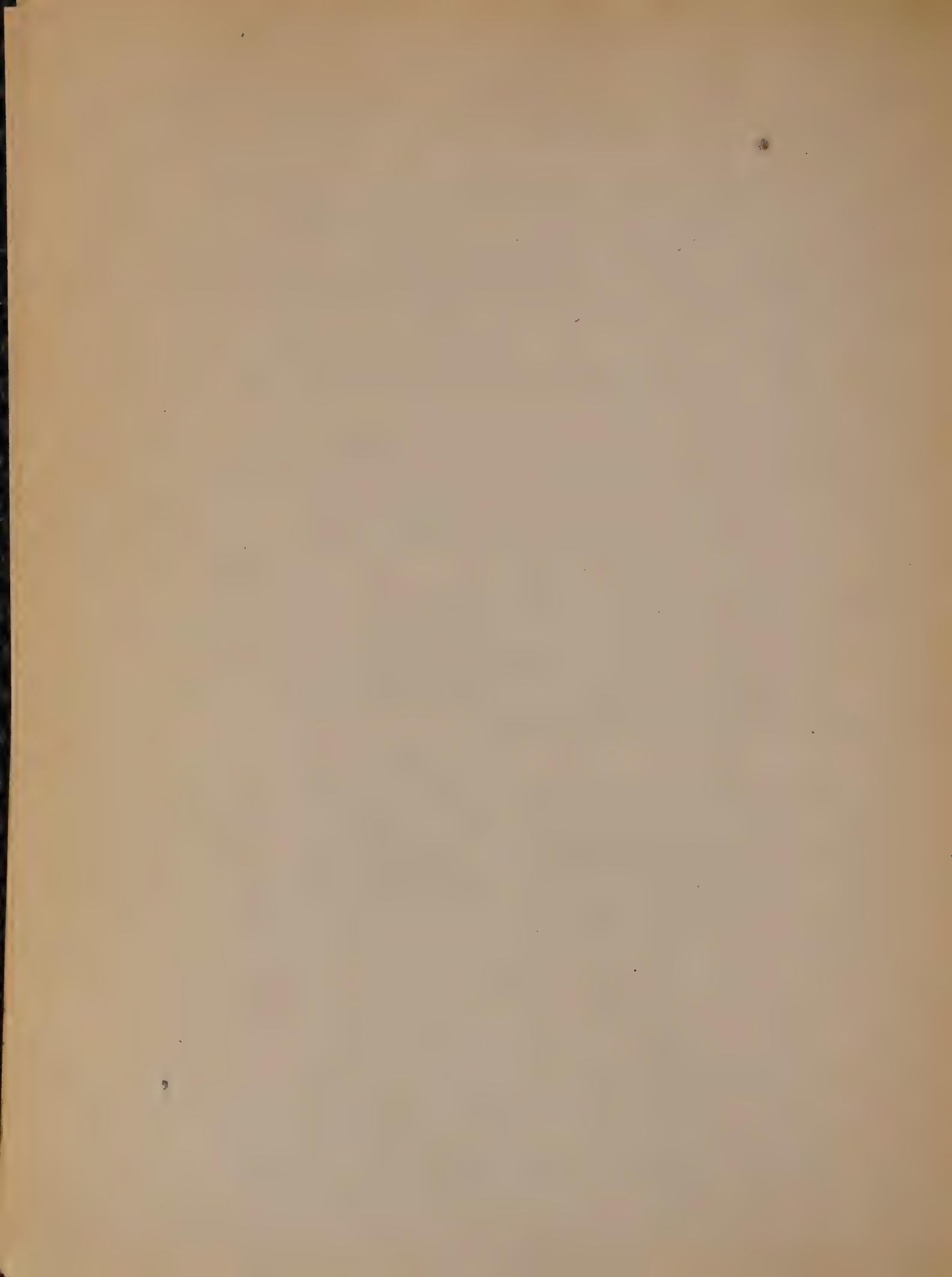
first, reducing our administrative expenses, and second, centralizing and placing additional responsibility on the States, thus making it possible to effect more rapid distribution of a larger quantity of food.

Our immediate concern in making the Direct Distribution Program more effective is the establishment of a single distributing agency in the States where now a number of uncoordinated agencies are not able to handle the volume of commodities to which the State is entitled. Again, the inadequacy or non-existence of State legislative authority or appropriations is our largest obstacle. As a result, a minimum of commodities can be distributed within the State, and the objectives of the program are only partly realized.

The assistance that you PMA State Committeemen can provide by explaining the advantages of a central State distributing agency to State officials can prove invaluable.

At this point, I would like to make a few remarks about Food Preservation. Community and school food preservation centers are the ideal facilities for community groups to use in processing local abundances for school lunches. In such centers it is possible to provide the necessary supervision and equipment to insure that foods are processed under safe and sanitary conditions. In addition, for most schools it is the only means of processing on a large enough scale to provide adequate supplies to meet program needs. Such centers can take immediate advantage of local market gluts. To demonstrate what can be accomplished I would like to tell you what the State of Louisiana is doing along this line. By the end of this year Louisiana will have 118 Food Preservation Centers processing for family and school lunch purposes. Even now, this State can accept instant delivery of perishables for processing to 15 parishes containing 55 preservation centers.

School Lunch, Direct Distribution, Food Preservation and other food distribution programs merit our full support and our full efforts. Potentially, we have the capacity to produce and to consume the farm products required for an adequate and rising standard of living. By exchanging our ideas here at this Conference, it is more evident that basically we are all working toward the solution of a common problem--you cannot separate distribution from production. We welcome this opportunity to tell you of our problems and to learn of yours. We're in the same boat, pulling in the same direction--full production and full distribution.



PANEL DISCUSSION

"The Why and How of PMA"

Panel Members:

Mr. Robert J. Howard, Chairman, State Committee, New York

Mr. B. W. Whitlock, In Charge, Pacific Coast Headquarters, Grain Branch, Portland, Oregon

Mr. James A. Cole, Director, CCC Office, Minneapolis, Minnesota

Mr. Emery Jacobs, Administrator's Field Representative, Oklahoma City, Oklahoma

Mr. Ralph S. Trigg, Deputy Administrator

Mr. Dave Davidson, Assistant Administrator for Production

Mr. Frank K. Woolley, Deputy Assistant Administrator for CCC

Mr. S. R. Newell, Deputy Assistant Administrator for Marketing

Moderator:

Jesse B. Gilmer, Administrator, Production and Marketing Administration

Mr. Gilmer: In this panel discussion we propose to cover as completely as we can not only what PMA does but also how its various activities fit together. If the panel members do what I think they will do, we should find out that one person's job depends pretty heavily on what the other fellow is doing. We want to discuss the role PMA plays in first bringing together the necessary information to decide how much we need to produce and what PMA does in assisting the farmer in producing and marketing his products in this country at a fair profit. As all of you are aware, the farmers of this country, the Department and PMA are also being asked to take on further responsibilities to help the peoples of other countries by producing as much as possible to prevent these peoples from starving during the period they are getting back on their own feet. You will be hearing quite a bit about the foreign situation later on in the Conference.

Getting down to the specific subject of this discussion, Ralph, how would you go about describing PMA, what it is and what it does?

Mr. Trigg: We have a lot of material at this Conference to show what PMA is and how it operates. I think one of the best ways of describing PMA is to take a specific commodity--wheat, for example--and show what and how various PMA programs

touch upon the production and marketing of that commodity. In this way it can be demonstrated that PMA's activities have a pretty wide range. In fact, we really start operating before the crop is even planted and continue, in one way or another, on through to the point it is actually consumed. In all its programs and operations, Jesse, I think it is important to keep this total picture in mind. Sometimes it is difficult to tie in what the other fellow in PMA is doing with our own job. I have a hunch that people in the field probably are more aware of this than are a lot of us in Washington, since they are on the spot where things happen and if they don't know what is going on and who is doing it, they soon find out. Along the same line I would like to add that although we are discussing PMA at this Conference there are other agencies in the Department which have equally important jobs to do in the farm-to-consumer process. I don't think I have to mention these agencies or the fact that their work is tied in with PMA's programs at many points. I think, Jesse, that's how I would begin to describe PMA and its job in the Department.

Mr. Gilmer: To get down to cases, let's follow Ralph's suggestion and take wheat and follow it through and see just where, why and how PMA comes into the picture. Ralph mentioned that we start before the crop is even planted. Bert Newell, will you start the wheat rolling by discussing at what point PMA first gets into the picture?

Mr. Newell: If I understand Ralph's point correctly, Jesse, he was referring to the work that is done on estimating demand. Some people would tag this with the two-bit word, PLANNING. To state it more simply, it is doing what everybody has to do in order to get from here to there--find out what's needed, how much, and where to get it from.

I'll hit a few of the high spots and some of the others here may want to chink up the cracks. This question of determining the demand for agricultural products is rather a complicated one, in which, as Ralph Trigg outlined, a good many agencies in the Department participate. First of all, I might mention the Outlook work, the major responsibility for which is carried by the Bureau of Agricultural Economics. This work started back in the early 20's in a modest way as an effort to advise farmers of what the prospects would be for the coming year. Briefly, the Outlook report consists of a determination of the relative changes that are in prospect for the demand, both domestic and foreign, for farm products. It is based on a large number of factors, such as general business conditions, payrolls, relative prices, rate of consumption, and many other factors. In other words, it is pretty much of an economic analysis of the entire situation surrounding an individual product. In years gone by

these reports attempted to advise the farmer in very carefully selected words how much of a given commodity might be produced and still return a reasonably satisfactory price. You fellows know pretty well what I mean--it was a good report with a fair sprinkling of "weasel words" that would protect our batting average. For some time, we in the Department thought that the Outlook reports needed to be more specific with respect to how much should be planted and where the production should be. In 1933 acreage allotments came into the picture. The result was that around 1940 a new type of report came into being that took the place of the advisory part of the old Outlook reports. This is known now as the "Goals Report," for which the PMA takes the lead, which is based on the overall demand picture as presented in the economic analysis and brings the production recommendations down to specific amounts for each State. Some of the others on this panel are in a better position to elaborate on this phase of the work but I can say that the men in the field have a very definite and important responsibility in the final development of goals for their individual States, and in carrying out the program after these goals have finally been set. It may sound a little extraneous to bring up this history of the Department's Outlook and Goals work but I am firmly convinced, Jesse, that this is a most significant point, because it was the beginning of a philosophy that led up to a concept of a Production and Marketing Administration.

It is really then, at the time we begin to appraise the future demand situation and formulate production goals, that PMA enters the picture. In other words, we start in with assistance to the farmer in planning his crop production program for the coming year.

I don't want to leave the impression that we are not actively concerned with the economic demand analysis. Our folks participate in this work in a number of ways, both in providing information and in the analyses that follow. I believe Dave Davidson and Frank Woolley should be called on with respect to our activity in the development of domestic and foreign requirements.

Mr. Gilmer:

That's a good starter, Bert. As you suggest, let's get some of these other men in on this. Dave, what's the domestic picture on wheat? And what do we do in figuring it up?

Mr. Davidson:

In wheat, Jesse, domestic demand falls into three general categories: Wheat for milling, wheat for feeding of stock, and wheat to be carried over into the next year and held for seed and emergencies. Normal domestic demand for wheat for food uses is about 500 million bushels; but industrial and other non-food uses bring the total domestic demand up to about 800 to 875 million bushels per year. In arriving

at production goals for wheat for domestic use, we make an analysis of the average demand over the preceding several years, and on the basis of that analysis we are able to make a reasonably accurate estimate of what domestic demand is likely to be for the year ahead. This is a pretty rough summary of what we do and I am sure would make a lot of our economists and statisticians very unhappy to hear boiled down in this fashion.

Mr. Gilmer: Thank you, Dave. If there are any statisticians here we'll extend our apologies and move on. Frank Woolley, we haven't dragged you into this yet. How do we figure in the requirements of foreign countries?

Mr. Woolley: Jesse, I'm glad we aren't dealing in statistical terms because right now, as you know, the situation is a little different on the foreign side of things. During the war, we had a pretty elaborate machinery for determining these requirements but with the end of hostilities and reconversion a lot of these procedures were dropped. At present, anticipated foreign demand is calculated after considering needs in these countries in relation to their estimated production, other sources of supply and their ability to purchase in this country. Other collateral factors are of course also considered. In all of this we must consider any commitments to aid foreign countries such as those under the Marshall Plan. The procedures for determining requirements under the Marshall Plan have not been definitely established but I think I am safe in saying that the U. S. intends to do a thorough screening job in arriving at these requirements.

Mr. Gilmer: You can see from the comments of Dave and Frank about how the production goal for wheat is computed. These men of course have been talking in terms of bushels. I wonder, Dave, if you will tell us briefly how we arrive at acreage figures when the goal is in bushels?

Mr. Davidson: The Bureau of Agricultural Economics is able to furnish us with average yields of the last five or ten-year period. The simple division of the total goal by the yield per acre gives us the acres. We do, however, give some consideration to trends in production so the yield determination is not entirely arithmetic. I might interject here a statement to the effect that it seems very simple to arrive at a goal for one commodity. There are other things that we must take into consideration, however, such as the competition of other crops for the wheat acreage, the availability of labor, fertilizers, machinery, transportation and other facilities connected with producing and marketing a crop. The price factor might be considered important in setting wheat goals. However, farmers are being protected through the price support program, and consequently this factor is not as important as it would otherwise seem.

Mr. Gilmer: Fine, Dave. You make the process sound rather simple. I know that it is a sizable task and as Bert Newell and Ralph Trigg mentioned requires the assistance of other agencies of the Department. Could you, Ralph, take a moment and tell us specifically what other agencies participate in and contribute to this work?

Mr. Trigg: Well, Jesse, the work of the Bureau of Agricultural Economics has already been mentioned. Representatives of the Extension Service, Agricultural Research Administration, Farm Credit Administration, Office of Foreign Agricultural Relations, and other agencies of the Department also serve on individual Commodity Goal Committees to bring together basic information and develop suggested goals. These Commodity Committees which are headed up by PMA officials give consideration to the requirements and appraise the country's productive resources to determine if the required production can be achieved. These goals are then reviewed by the Secretary's Policy and Program Committee to see whether they are in harmony with each other, whether excess competition for land and labor in the same area will arise, whether goals for feed crops are correctly adjusted to the goals for livestock, and whether total acreage of all crops is in line with the total acreage of land available. Finally the suggested goals are considered by State USDA Councils and final goals established in accordance with local production capabilities. In reaching their decisions the State USDA Councils utilize the advice of county USDA Councils and other local agricultural officials.

Mr. Gilmer: Coming down to concrete cases, Jake, just how do we go about getting the individual farmer in on the program through our State and County Committees?

Mr. Jacobs: Well, Jesse, PMA State and county committees are represented on USDA Councils, which have the primary responsibility for approving the goals suggested by Washington or recommending to Department officials a goal which they consider to be more in keeping with a particular State's or county's ability to reach. In most cases, the State or county PMA chairman is also chairman of the USDA Council. After due consideration the suggested Washington goals are approved or modifications recommended. When final approval is reached the State Council then makes public announcement to the farmers of the State, and as members of the Councils, the State and county committees take part in bringing the goals to the attention of farmers and assist them in planning their operations accordingly.

Mr. Gilmer: I have gathered from what you men have been telling us that wheat goals seem to be set on a National and State basis and apparently do not reach the farmer in terms

of so many acres for him to grow. I have a further question in my mind, Bob, why do we need goals?

Mr. Howard: To me, production goal for wheat is the result of the best thinking on the part of State and National people interested in this crop, after taking into consideration the needs, including domestic, export, and a safe reserve, the ability of our farmers and land to grow this crop, and the acreage available, with due consideration being given to competing crops. If the individual farmer is goal-conscious--and it seems to me it is our job to make him become goal-conscious--he can, by comparing the total acreage goal from year to year, readily make a determination as to what acreage he should plant. In other words, if the goal is down or up five percent, he can regulate his planting accordingly. Only by becoming goal-conscious and by attempting to plant within the goal is it possible that we can eliminate indefinitely the need for acreage allotments. A program of acreage allotments is something that certainly none of us wants but which may be necessary unless acreage is adjusted to meet needs--and needs will surely change in the years to come.

Mr. Gilmer: Now that we have the amount of wheat to be planted, what programs of PMA are aimed at helping the farmer in producing it? Dave, suppose you give us an idea of what we're doing on fertilizers and conservation.

Mr. Davidson: Well, Jesse, we have the Agricultural Conservation Program. It deals with fertilizers in very important ways, but we emphasize the conservation attained rather than the fact that some fertilizers are furnished to farmers. Phosphate, potash, lime and other materials are included in the program. We are trying to get cover on the land and humus in the soil to prevent erosion as well as to maintain and improve soil fertility. Formerly, fertilizers were used chiefly upon cultivated crops. We have found that phosphate, lime and potash applied to pastures or cover crops prevent erosion, even on hillsides, and store up plant food for future crops. In order to encourage the use of these materials on soil conserving crops, fertilizers are supplied or paid for as conservation practices.

Mr. Gilmer: Let me interrupt at this point, and ask Bob Howard how fertilizer and other materials are handled at the State level.

Mr. Howard: Well, in my State--and I presume it is practically the same in all States--we have, in addition to the State PMA Committee, a Technical Committee. This Technical Committee meets with the State Committee and advises on the use of phosphate, potash, lime and other materials in conjunction with the practices applicable to the type

of agriculture in our State. This committee recommends to Washington an approximate quantity of materials needed in the State. Bids on materials are invited from manufacturers throughout the country. After bids have been received and analyzed, the amount of materials that can be purchased is divided pro rata among the States. After we receive notices of the amount available to our State, we in turn divide it among the counties in some instances. The county committeemen, after studying the needs of individual farms and use to which it will be put, allocate tonnages to those farmers requiring it. Some of our county committees divide the amount of material available among the communities and its community committees and after studying the needs of individual farms allocate tonnages to those farmers requiring it. In some cases materials are furnished to farmers and in other cases farmers are issued purchase orders to obtain materials direct from vendors or dealers for use in carrying out certain conservation practices. In either case, farmers are required to pay for a substantial portion of the entire cost.

I might add at this point that other practices, such as terracing, drainage or dam construction are often handled through purchase orders in much the same manner as fertilizers. Strip-cropping, contour farming, cover crops, and summer fallow practices are also a part of the Conservation Program and a direct help in the conservation of soil and moisture.

Mr. Gilmer:

You men have been talking of fertilizers in terms of material furnished under the Agricultural Conservation Program. I wonder, Dave, if PMA has any part in supplying commercial fertilizers, other than those used under the program.

Mr. Davidson:

I'm glad you brought up that question, Jesse. The amount of fertilizers used under the Conservation Program is not very great compared to the total. In fact, it is a fixed policy for us to furnish as contract materials only surplus supplies of fertilizers. In times like these, "surpluses are scarce"!

I would like to say the fertilizer problem is a world-wide problem. The Department of Agriculture represents the United States on an international committee whose function it is to make a fair distribution of the world supply of fertilizer materials. I don't want to bother you with a lot of figures, but I would like to say that for the coming season there will be 4 percent more nitrogen, 6 percent more phosphate, and 5 percent more potash available to the United States than there was last season. It is very interesting to note, too, that the total plant food available for the coming season will be practically twice that used during pre-war years. It is a little difficult to say

how much fertilizer this country should use or would use, but we do know the nitrogen supply will continue to be short of requirements.

There are no longer any Government controls on the distribution of fertilizers, such as we had during the war years. The distribution of available supplies of fertilizers is now a direct and complete responsibility of the fertilizer industry. The Department of Agriculture, however, is approaching the problem of distribution in two ways. One, it is continuing in its efforts to have plants that were built or financed with Government funds during the war used for the manufacture of fertilizer. In the meantime, these plants have been acquired by private interests. The second and equally important line of attack is to maintain a working relationship with the industry under which present problems of mal-distribution and acute shortages can be brought to its attention.

Although it will be impossible to meet all needs, the industry has cooperated thoroughly in all the efforts being exerted to solve the shortage problem.

There is one other point that I would like to bring out, and that is that the Department is sometimes criticized for exporting fertilizers. The facts are that approximately three times as much material is imported as exported, and all exports are directed to areas which will be able to grow seven or eight tons of food for one ton of fertilizer thus received. Such good use of fertilizers cuts down on the exports of food from this country which would otherwise be necessary.

Mr. Gilmer:

There are also some regulatory laws which PMA administers. They may not be confined to wheat but shouldn't we bring them in the general PMA picture at this point, Bert? What are the regulatory laws administered by PMA which are also aimed at assisting the farmer in producing his crops?

Mr. Newell:

There are several laws which are aimed at doing that, Jesse. We don't like to produce crops for the bugs to eat and neither do we like to put our livestock in infected cars and trucks. We also have to keep our milk houses clean if we are going to sell our milk. We should mention one of these laws specifically. To protect our farmers from fraud and loss of crops and animals through the use of worthless insecticides and fungicides, we have a law known as the "Federal Economic Poisons Act" which requires that manufacturers properly label the products which they offer for sale and that they provide adequate instructions for their use. The Insecticide Act has been on the books since 1910 but just last year we had a new and up-to-date Act passed which is

greatly expanding the usefulness of this law to both producers and consumers. We estimate that the administration of this Act has saved many millions of dollars to the producers every year it has been in force.

There is another law--the Federal Seed Act--which Bert Whitlock here has a lot to do with. How about giving us a few words on it, Bert?

Mr. Whitlock: The protection afforded the farmer in providing proper labeling of seed is a most important contribution. A farmer who gets the wrong variety of seed, or seed that is no good or very low in germination, not only loses his crop but all the work that goes into its preparation and planning. The Federal Seed Act is another statute that has been on the books for a good many years but, like the Insecticide Act, it had gotten behind the times and was revised in 1939. It provides for the control of imported as well as domestic seed.

Mr. Newell: There's another one that I think of, Jesse, that should be mentioned and one I am sure our representative from the great State of Oklahoma knows about. Jake, how about the one variety cotton program?

Mr. Jacobs: That's a little different in that it doesn't actually regulate anybody but provides incentives for groups of producers to join together in producing a single variety of better types of cotton. The law provides that such groups shall be provided with free classing of their cotton and a market news service. I might say that this plan was being promoted for a long time but it wasn't until the marketing boys got on the job and showed that it actually paid a producer to grow good cotton that the plan really went to town. The Act was passed in 1937 and the last figures I saw showed that there were 2,515 groups, with nearly 344,000 members producing about 2,700,000 bales of cotton enlisted in this program.

Mr. Gilmer: We have heard now about how goals are computed and distributed to the States. We have heard about the use of fertilizers in and out of the program, as well as some conservation practices, and how various other acts administered by PMA help the farmer. We haven't mentioned the farm labor program which is now being liquidated but which was of major importance in helping farm production during the war and post-war years. All of these seem to me to add up to the possibility that, given fair weather conditions, our farmers will grow a pretty large crop of wheat.

It sort of sets me to wondering what would happen if we grew a crop which proved to be larger than our needs. Would the wheat farmer have any protection? I'm going to ask Frank Woolley to give us the facts on this point.

Mr. Woolley: Yes, Jesse, we have a price support program which guarantees wheat growers and growers of other basic commodities a price of at least 90 percent of parity, and in the case of cotton, 92-1/2 percent of parity.

Mr. Gilmer: You say "90 percent of parity." What do you mean by "parity"?

Mr. Woolley: There are a lot of technical definitions of parity, but to me, a simple one is something like this: It can be said that a farmer receives parity when the relationship between the price of the goods he sells and the goods he buys is the same that existed during the base parity period 1910-14. Some commodities take a different base period, but the theory is the same.

Mr. Gilmer: We understand what you mean. Jim Cole, we haven't called on you yet. Suppose you tell us just how a farmer could receive the support price of 90 percent of parity for his wheat.

Mr. Cole: ✓ The wheat farmer could apply for a loan on his wheat at 90 percent of parity. Under a loan the farmer agrees to deliver wheat on a certain date, or repay the loan. Another way that a farmer could be guaranteed 90 percent of parity is to sign a purchase agreement. Within a certain specified time he may deliver his wheat to the Government if he so chooses. Both of these methods have certain advantages. The loan provides him money at a low rate of interest in case he needs money for his farm operations. The purchase agreement, for a very small fee, protects him against low prices.

Mr. Gilmer: ✓ With all the aid the farmer may receive from PMA, including price support of 90 percent of parity, I can foresee a situation where it would be possible for farmers to produce more wheat than would ordinarily be needed for domestic use and export. If production continued to exceed needs, would it be necessary to resort to marketing quotas? Will you tell us something about that, Dave?

Mr. Davidson: At the present time we do not have marketing quotas on wheat but we do have them on tobacco, so I will use that commodity in answering that question.

The marketing quotas program is designed to maintain supply in line with demand with adequate reserves to protect consumers, and at the same time gives each producer his fair and equitable share of the production. As we said earlier, the "demand" situation is such today--for most commodities--that this phase of PMA's work is not too greatly emphasized. For the purposes of this discussion, suppose we talk about flue-cured tobacco. It accounts for about 60 percent of our

entire tobacco production. Marketing quotas are never in effect for any commodity unless they are approved by at least two-thirds of the farmers voting in the referendum. In a referendum held July 12, 1946, 97.1 percent of the 256,735 flue-cured tobacco growers voting favored marketing quotas on the 1947, 1948, and 1949 crops. On November 24, the Secretary proclaimed the amount of the National marketing quota for flue-cured tobacco for 1948. This quota results in a reduction of about 28 percent in individual farm acreage allotments for 1948. This reduction is necessary due to the fact that most of the large exporters have about stopped buying our tobacco mainly because of the world-wide shortage of dollars. This situation has caused a huge surplus and the accumulation of enormous stocks under our price support program. I'd like to digress here a bit. Our acreage allotment and marketing quota programs are criticized by many people who don't understand them. In fact some still say we are acting on a program of scarcity. That is not the case. In fact, just the reverse is true. In calculating the marketing quota for any commodity consideration is given to a reserve adequate to meet even emergency conditions. Under our marketing quota program consumers are assured of supplies even more adequate than under uncontrolled conditions and the producers are not put through the wringers.

Mr. Gilmer: Bob Howard, after growers vote in favor of marketing quotas, what happens?

Mr. Howard: Each State is given an acreage allotment, based on the AAA Act. This figure in turn is broken down into individual farm allotments. If the grower does not plant in excess of his farm acreage allotment, he can market his entire production without penalty and is entitled to participate in the price support program. If he plants in excess of his allotment, he is eligible for price support at 60 percent of the rate to cooperators and then only on his excess. In addition, for example, a penalty of 19 cents per pound is due on all excess flue-cured tobacco marketed.

Mr. Gilmer: Well, Bob, take the opposite of the situation you have just described. Suppose, in the referendum, the growers vote against marketing quotas. What then?

Mr. Howard: In that case, Jesse, all growers could produce whatever they wished. But they would take their chance of a poor market price and a low return which invariably follows when supply exceeds demand; and also, the law specifically provides that loans will not be in effect under these conditions.

Mr. Gilmer: Thank you, Bob. We have just been talking about a situation where production exceeds needs. If marketing quotas are voted by farmers or even if production exceeds needs before marketing quotas are in effect, is there any provision, Frank, for helping with marketing problems?

Mr. Woolley: Yes, Jesse, that's where the marketing part of the Production and Marketing Administration would certainly become useful. In the case of wheat, no doubt determination would be made as to areas that had excess supplies as well as determination of areas that were in need of wheat. Some shifts in supplies could then readily be made. Efforts would probably be made to locate export markets, or perhaps new uses would be found for wheat or wheat products, or some diversion could be made for industrial uses such as alcohol. In addition to that, there are a good many people of the opinion that the quantity of the wheat that has been carried over during these last few emergency years is dangerously low. It has been necessarily so because of the need for wheat in this country and abroad. If it should happen that we had two or three years of drought in succession such as we experienced in 1934 and 1936, our carryover would be used up and we would be in desperate need of grain. Some men are of the opinion that our carryover of wheat should approach 500 million bushels, or practically enough to see us through a cropless year. Much of this wheat might be stored under an "ever-normal granary" program, but probably farmers could be asked to hold a large part of it on farms or in warehouses. At any rate, wheat growers can rest assured that every effort will be made to make distribution of surplus supplies, especially if marketing quotas are in effect.

Mr. Gilmer: There's another activity--Marketing Agreements--that we haven't touched on yet. This is a very important device in the field of marketing that has accomplished a lot, and I feel has even greater possibilities. Marketing agreements do not apply to wheat but we should digress for a moment to bring them in on this road from the farm to market. Bert, you used to be in on this program in the early days. What do marketing agreements do to help the producer?

Mr. Newell: Yes, Jesse, I was but it has gone a long ways since I worked closely with it. The Supreme Court sort of upset some of the ideas I once had. I might state that the marketing agreements idea embodies the democratic principle by providing that when two-thirds of the producers (and other factors varying some with the crop under consideration) involved in any commodity covered by the Act join together in a marketing plan the Secretary may issue an order making the plan binding on all

producers. We have agreements on milk and fruits and vegetables. Marketing agreements are a very direct aid to producers, both in production and marketing. I would say that in our mental picture of the road from farm to market that marketing agreements come just about at the farm gate.

Mr. Gilmer: It looks as though we have led into another phase which we might call marketing aids to the farmer. Let's take up some of these. We have a lot of them that come into play at various stages. Bert Whitlock here is associated with one of the oldest of these activities--the Grain Standards Act, 31 years old last August. Bert, how does the Grain Standards Act tie in with PMA's general program?

Mr. Whitlock: Of course, the Grain Standards Act fits directly into our wheat picture. This Act came into being very largely as a result of the chaotic situation that developed in the grain trade. Before the Act was passed there were lots of standards floating around--Boards of Trade, States, and even private firms had their own standards. This naturally created confusion because a trader had to know, for example, what the grades were on a specific market and even then he wasn't always sure they would be impartially applied. The situation got so bad that international trade practically broke down. This Act, passed back in 1916, went a long ways to correct that situation. It provides that if grades are used in the merchandising of wheat they shall be the official U.S. standards. You can see very plainly how this benefits the farmer, the trader, and, in fact, everyone concerned. Uniform standards provide the common language that makes intelligent market reporting possible. It obviates the necessity for the purchaser personally to examine each lot. In other words, it is the key to commerce. In the establishment of the standards for wheat, for example, we take into account almost every characteristic. That is, variety, physical characteristics of the grain, and even the bread baking quality of the flour that is produced. Before I drop this subject I think I should say that PMA has established standards for practically all agricultural products and their significance in each case is just as important as I have indicated for grain.

Mr. Gilmer: Well, that gives us a good start. Now about Market News. That's another of the old timers that started around 1915. Bert Newell, would you want to say a word about market news?

Mr. Newell: Market News started in 1915 and during the first World War it was one of the Department's principal activities. In fact, they had more money to spend on market news in 1918 than we have right now. We have six market news activities in PMA but specifically on wheat we confine

our efforts to disseminating information on cash grain for the more important markets and providing producers with fairly complete weekly summaries of the grain market, both cash and futures. Sometimes we are inclined to overlook the importance of grain market news but just last week we nearly lost our cooperative arrangement with California because through error one of the grain reports was missed.

Mr. Gilmer: What about the inspection service? I believe I'll ask Bert Whitlock to pick up again and carry on with the inspection service provided for grain.

Mr. Whitlock: Now that we have National standards, then comes the application, what we call inspection. Under the law the inspection of grain is performed initially by licensees of the Department, not by employees. At the present time there are 438 such licensed inspectors working at 139 established inspection points in 38 States. They are employed by States, Boards of Trade and Chambers of Commerce.

They must qualify, however, and their work is supervised by Federal employees. That is our job. In addition we handle appeals on behalf of the Secretary from the inspections performed by these licensees, either on complaint of interested parties or as a measure of insurance. Last year these licensed inspectors performed more than 2 million inspections. I do not mean to tell you that we supervised all of them--that would be a duplication of service. We did supervise enough to assure ourselves of good performance by the licensed inspectors.

Mr. Gilmer: There are a good many other marketing aids to farmers that PMA provides which are not directly connected to the example we are using here. Bert Newell, would you take a minute to mention some of these?

Mr. Newell: We may get a chance to mention a few more of these on our Wednesday's panel. I might mention two or three typical ones. There is a Perishable Agricultural Commodities Act that has proven of great value to producers. Its purpose is to suppress unfair and fraudulent practices in the marketing of fresh fruits and vegetables and requires commission merchants, dealers, brokers and others to obtain a license from the Secretary of Agriculture; it prohibits fraudulent accounting and unjustifiable rejection, and failure to deliver, and authorizes investigations of complaints and issuance of reparation orders.

Another Act is the Packers and Stockyards Act which regulates the dealers and handlers of livestock at posted markets. Among other things, it protects the

producer's interests by requiring that dealers and others provide accurate accounts to the shipper. We also establish rates under this Act and thereby we have saved livestock producers millions of dollars.

Another, the Tobacco Inspection Act, provides for the grading of tobacco and market news on all markets designated under the Act. Designation of a market under the Tobacco Act is accomplished through a referendum of the producers participating on the market.

We ought to mention also the U. S. Warehouse Act of 1916, the primary purpose of which is to convert stored staple agricultural products into a form of collateral that will be generally acceptable for loan purposes. Provision is made to inspect warehouse facilities of any warehouseman applying for a license. If the warehouse measures up to prescribed standards (covering the facility, the equipment, the competence of employees, etc.) a license is granted. Thereafter, the warehouse is inspected frequently enough to make sure the law and regulations are observed and warehouse receipt holders are protected.

Mr. Gilmer:

We haven't mentioned PMA's work on transportation yet. Bert, will you tell us about the activities of our Marketing Facilities Branch in the administration of Section 201 of the Agricultural Adjustment Act of 1938?

Mr. Newell:

Under Section 201, the Secretary is authorized to make complaints to the Interstate Commerce Commission with respect to rates, charges, tariffs and practices relating to the transportation of farm products, and to prosecute such cases before the Commission. The Transportation Rates and Services Division of the Marketing Facilities Branch has accomplished great things in carrying out this law. During the last year, for example, the most important case in which we participated was one in which the railroads requested a 25 percent increase in nearly all freight rates. As a result of our efforts, the increase granted amounted to just 3 percent, which we estimate meant close to \$150,000,000 a year to the producers of agricultural products. Our specialists are on top of this freight rate work all the time and I believe it is fair to say that it has made one of the most fundamental contributions to the welfare of our farmers.

Mr. Gilmer:

While we're on this subject, Bert, where does PMA's marketing facilities work fit into our picture?

Mr. Newell:

This work deals with the adequacy and efficiency of the facility provided at the receiving end. In other words, the terminal market through which most of our farm and food products have to pass before they get to the retail

store. Many of these facilities are antiquated and inefficient, which increases the cost tremendously. In fact, it has been estimated that it costs as much to get products from Jersey City to the consumers as it does for the farmers to produce them and lay them down in Jersey City. Our work in this field is too extensive to discuss in any detail here but I believe it is evident that with the situation such as I have just mentioned there is great possibility for reducing our marketing costs if we can eliminate some of the inefficiency and waste that take place at the consuming market.

Mr. Gilmer: We have already touched indirectly on one of the major activities of PMA, its price support operations. I would like now to take up the whole question of PMA's price support program. Frank Woolley, what does price support include?

Mr. Woolley: When we talk of price support in PMA, we generally think of CCC, and properly so. While we have authority under Section 32 to carry out price support operations, the bulk of this activity comes under CCC. The CCC price support activities divide themselves into three classes:

- (1) Price support on the basic commodities (cotton, corn, wheat, tobacco, rice, peanuts) are mandatory under the provision of the Stabilization Act of 1942. Price support operations on cotton, corn, wheat and tobacco have historically been handled as loan programs, with provision being made for purchase agreements in the more current programs. Peanuts have been handled under a combination loan-purchase program, and the Corporation has never found it necessary to undertake a general program on rice price support.
- (2) Price support on the Steagall commodities is provided for in the so-called Steagall Amendment of 1941 which requires the Secretary of Agriculture to provide through loans, purchases, or other operations, price support at not less than 90 percent of the parity or comparable price for the non-basic commodities for which the Secretary of Agriculture, by formal public announcement, has requested expanded production for war purposes. "Steagall" commodities are: Hogs, eggs, chickens over 3-1/2 pounds, live weight, turkeys, milk and butter fat, dry peas of certain varieties, dry edible beans of certain varieties, soybeans for oil, peanuts for oil, American-Egyptian cotton, potatoes and sweet-potatoes.

(3) Other commodities: Section 4 of the same Act of 1941 declares it to be the policy of Congress that the lending and purchasing operations of the Department of Agriculture shall be carried out so as to bring the price and income of producers of other commodities to a fair parity relationship with the basic commodities and the Steagall commodities. The law provides, however, that this policy be followed only to the extent that funds are available after taking into account operations with respect to basic and Steagall commodities and the ability of producers to bring supplies in line with demand. Commodities supported under the provisions of Section 4 include wool, cotton linters, naval stores, seeds, sugar beets and sugarcane.

Mr. Gilmer: Will price support on basic and Steagall commodities terminate at the same time?

Mr. Woolley: We have only recently received a ruling from the Solicitor on the effect of legislation fixing the Department's responsibility for continuation of price support operations. The present laws provide that the present loan rates (92% of parity on cotton and 90% of parity in the case of other commodities) shall apply to "any crop of the commodities cotton, corn, wheat, rice, tobacco, and peanuts harvested after December 31, 1941, and before the expiration of the two-year period beginning with the first day of January immediately following the date upon which the President by proclamation or the Congress by concurrent resolution declare that hostilities in the present war have terminated." The Solicitor's opinion holds that for the basic commodities the present loan rates shall apply to the entire 1948 crop, including such portion thereof as may be harvested after December 31, 1948, but that the same rule does not apply to Steagall commodities. The Solicitor holds that the Department's obligation to support prices of Steagall commodities expires December 31.

Mr. Gilmer: Bob Howard, will you take a moment and discuss what the States do on purchase and loan programs handled by the State Committees?

Mr. Howard: Well, Jesse, State Committees supervise the work in connection with all purchase and loan programs. It assists County Committees in selecting inspectors to inspect and measure commodities placed under loan. It supervises the completion of loan and purchase documents and in some States it tests commodities to determine the grades offered as collateral for loans. County Committees are, in accordance with applicable instructions issued by a particular branch, responsible within their counties for the determination of commodity and producer's eligibility, the selection of inspectors and

supervision of their work; also for the preparation and certification of all loan and purchase documents. They are also responsible for the reinspection of farm-stored commodities, the inspection and care of CCC bin-stored commodities, resealing commodities where applicable, liquidation of farm-stored and warehouse-stored loans, the supervision of loans under purchase agreement, and servicing of outstanding loans.

Mr. Gilmer: We have loan and purchase programs for commodities other than wheat. Potatoes, for instance. Bob, can you tell us how these programs are operated at the State and county levels and the advantages in having them so handled?

Mr. Howard: The State Committee, after receiving information from the county committee that support purchases on potatoes may be needed, requests authorization from the Fruit and Vegetable Branch in Washington to make such purchases. Purchase Representatives are appointed by the State Committee to handle the purchasing operation. In the early and intermediate states these Purchase Representatives are generally employees of the State Committee. In the late States the Purchase Representative is generally a member of the county committee. One of the big problems in the early and intermediate areas was that of obtaining adequate outlets for the potatoes purchased by the Department. State and county committees performed a vital service in developing livestock, feed outlets at a time when purchases were at the heaviest. Because of the relatively small late crop surplus and the possibility of shipping surplus late potatoes abroad, any purchases of late crop potatoes above requirements for direct distribution and human food outlets are being placed in storage. State and county committees are now limiting support purchases of late potatoes when the market price is at or above support in order to correlate purchases with available outlets. This does not mean that any eligible producer need accept less than support price for his potatoes. It only means that he may have to hold his potatoes in storage for a short time until the State and county committees are in a position to accept them.

This is the first year payments for potatoes purchased under the price support program have been made by sight draft issued by the State office. Under this new procedure, producers and eligible dealers have been paid for their potatoes in a much shorter time and the operation of this program has proved very satisfactory to all concerned.

Mr. Gilmer: We have another group of activities that are particularly important at this time--activities in connection with our supply program. Perhaps we'd better start

in at the beginning. Ralph, will you explain how we arrive at the international food allocations on which most of our supply program is based?

Mr. Trigg:

I think the allocation procedure can best be explained by breaking it down into three parts:

- (1) Department personnel determine and notify the International Emergency Food Council of the total amount of grain and grain products that can be made available for export. This is not an easy job and frequently it is necessary to change our estimates through the year depending upon the size of the current crop or the prospects for the winter wheat crop for the coming year.
- (2) The United States is a member of the International Emergency Food Council which makes recommended allocations to the importing countries of the total world exportable supply of grain including that from the United States. This organization does not have powers to enforce its recommendations; however, it has been quite successful in obtaining the co-operation of its 35 member governments.
- (3) Personnel in the Department of Agriculture work out the monthly grain programs to conform insofar as practicable with the International Emergency Food Council recommendations. Since the same person who is normally chairman of the committee within the Department which determines the United States allocations also represents the United States Government on the international allocating committees, it results in the maximum coordination between the allocations issued by the Department of Agriculture and those recommended by the International Emergency Food Council. The allocation procedure with respect to the other major food commodities such as fats and oils, beans, peas and meats is similar.

Mr. Gilmer:

Frank, one of your jobs back in Washington is to serve as Secretary for CCC. I think our audience, particularly those working in the field, would like to know how CCC goes about its business. How is a typical program, say one for grain purchases, developed?

Mr. Woolley:

It is the policy of CCC established by its stockholders, the Secretary of Agriculture, that no officer or employee is permitted to make a commitment for or in behalf of the Corporation, except as authorized by the Board. Following this policy, all activities of the CCC are presented and approved by the Board of Directors, CCC, which meets regularly once a week and more often as the occasion requires. Under rules developed by the Board, all proposals placed before it must be presented as dockets.

Dockets may be developed under the direction of the Administrator's Office by any branch having responsibility for an activity, and are presented by that branch and justified to the Board. Dockets approved by the Board are then sent on to the Secretary of Agriculture for approval. Once a docket is fully approved, the originating Branch is usually authorized to administer the program under the supervision of the appropriate Assistant Administrator.

The present membership of the Board of Directors is as follows:

Secretary of Agriculture	Clinton P. Anderson
Under Secretary	Norris E. Dodd
Assistant Secretary	Charles F. Brannan
✓Administrator of PMA	Jesse B. Gilmer
Deputy Administrator	Ralph S. Trigg
✓Assistant Administrator for CCC	Carl C. Farrington
✓Assistant Administrator for Production	Dave Davidson
Administrator of the Research and Marketing Act	E. A. Meyer

Mr. Gilmer: One of the items in the news these days is the Government's buying of grain. Jim, your office is playing an important part in this activity, will you tell us how the CCC offices go about buying and moving record quantities of grain.

Mr. Cole: I would like to say first that the grain purchase and related operations have always been fully decentralized. It is my judgment that this decentralized operation coupled with the authority we have as a Corporation to operate on a commercial basis have contributed more than anything else to making possible the record breaking movement of grains by the Department. The Commodity Credit Corporation has operated under the policy developed over the past years to utilize the legitimate segments and functions of the grain trade insofar as it is practical and economical to do so. This policy was found primarily necessary due to the fact the trade owns and operates the grain handling, processing and commercial storage facilities over the United States, and also so as not to displace the trade as the Nation's commercial grain marketing machinery. The Corporation does not own or operate any such facilities. To give you some idea of the necessity of large storage capacity, the Corporation a few years ago had in grain storage in excess of 400,000,000 bushels of grain. A very important document in this operation is our Uniform Grain Storage Agreement which was developed over the years in many conferences between the Government and the trade. It

sets forth service charges and conditions under which the grain is handled by the grain trade.

In accordance with policies just mentioned, the Government buys its grain mainly from the terminal grain merchandiser, who usually operates large terminal warehouses, under the Government's Uniform Grain Storage Agreement. While our buying operations are conducted as Governmental programs, they are designed so as to be compatible with commercial practice and custom. Obviously, this facilitates and expedites operations. The buying policy is developed and given over-all direction from the Grain Branch in Washington. Actual buying of the grain, however, is handled through the four strategically located CCC field offices. Washington instructs us each day as to the amounts to buy and within what price ranges; from that point it is our job to buy and obtain delivery of the grain.

Each CCC field office is equipped with grain tickers and this plus almost continuous phone contacts with the grain traders on the trading floors of the various grain exchanges keeps us posted on market activity. Usually we are more active on "breaks" or low points in the market and try to stay out when prices are strong and advancing. Most of our buying is from terminal grain merchandisers and is subject to official weights and grades. Our purchases are all made "at the market," either basis track, basis in store or basis f.o.b. cars or vessels. We rarely announce a buying price. Obviously, if we did so, in time of great demand the trade would "top" us and our volume would be greatly reduced or force us to keep bidding and thus seriously "bull" or advance the market. Our best policy this last season has been simply to let the trade know we are interested, make no bids, but to consider offers from any legitimate seller. We then accept such of these offers as are in line with our views as to grade, amount, price, location and time of delivery. The transaction is then formally confirmed by the Corporation's written contract of purchase.

Delivery of the grain is made on our purchase contracts in accordance with time stated therein. Time of delivery is stipulated in accordance with our previously mentioned instructions from Washington. This is necessary in order to coordinate delivery and shipment with the export loading dates of ocean vessels at seaboard ports. In short, Washington tells us what they want, where, when, and the price limitation; then it is our job to buy and complete delivery.

Mr. Gilmer:

In speaking of purchases we naturally get into shipping and storage operations. Frank, tell us a little about these operations.

Mr. Woolley: Our shipping and storage operations at present fall into two classes according to type of commodity. I will talk about the processed commodity side since Jim Cole has already touched on the handling of a bulk commodity--wheat.

Processed commodities are generally contracted for in Washington by the commodity branches. After contracts have been let, they are turned over to the Shipping and Storage Branch and that branch assumes responsibility for ordering shipments from vendor, and for the movement of the commodity to destination. In some cases this involves the movement of commodities into storage and in some cases through processing operations. At present we are in process of changing the system under which these operations are carried out. Our current operation is set up on a highly centralized basis with the Washington office actively participating in all phases of operations. Beginning January 1, we are decentralizing the greater bulk of the operating detail to the field. We are starting with flour and hope to be able to follow through and bring about the decentralization of all processed commodities.

It is our hope that this decentralization will strengthen our organization by putting responsibility at the level where the bulk of the work is done.

Mr. Gilmer: One item of universal interest is money. Frank, will you tell us generally how CCC goes about collecting and paying out money under the purchase operations.

Mr. Woolley: It is the policy of CCC to require cash on hand before it undertakes any buying operations. Claimants--we use the term claimants to cover all organizations using the Department as purchasing agent, and the list includes foreign governments, the Army for certain occupied areas, the State Department on the aid programs to other agencies--are all required to make either a cash advance or to establish an irrevocable letter of credit covering anticipated requirements. CCC buys commodities to fill requisitions of claimants out of its own funds and in its own name and receives payment, by charging the cash advance or the letter of credit, at the time title passes to claimant, usually at shipside.

Purchases made by CCC are paid for in accordance with customary commercial practice. Payment for processed commodities is usually made on the basis of invoice supported by necessary documentation, whereas payment for grain may be made either on the basis of the usual invoice or on the basis of drafts with warehouse receipts or bill of lading attached.

Mr. Gilmer: How do the School Lunch and Direct Distribution programs fit into our picture? How about giving us a little bit on this subject, Bert?

Mr. Newell: The School Lunch is such an important program, both from the standpoint of our long-time development and in handling some of the immediate problems, that it would take an hour to really outline the subject. In brief, though, I think one of the most significant aspects of our school lunch program from the standpoint of marketing is that it provides a foundation for expanded consumption of agricultural products. In other words, through this program we are educating millions of consumers to better food habits that will exert a tremendous influence over the years in our production and consumption of agricultural products. Thus the program has particular long-time significance to Agriculture. At the same time, the School Lunch Program provides one of the best possible means for relieving temporary market surpluses, both local and national. This is accomplished through the direct distribution to schools of agricultural commodities purchased under Section 32. In addition to schools, the Direct Distribution Program also provides outlets for price support purchases through charitable institutions and welfare recipients. To date this year we have distributed or are in the process of distributing close to 190 million pounds of Section 32 commodities valued at more than 21 million dollars. This distribution, incidentally, is closely coordinated with the purchase and distribution of foods under Section 6 of the National School Lunch Act. It is this Section of the Act which gives the Secretary authority to purchase agricultural products most needed to help schools meet nutritional requirements. More than 12-1/2 million dollars of this year's school lunch funds are being used for the purchase and distribution of such farm and food products to schools participating in the program. I am in hopes that we may have a chance to expand on these topics in our panel discussion on Wednesday because there's so much to be said about these distribution programs and also about the work that is being done through community food preservation centers toward increasing local market outlets and improving farm family living.

Mr. Gilmer: And now we come to what we might call the PMA service forces--that group of housekeeping or supporting activities that keep this huge organization well oiled and running smoothly and efficiently. Ralph, will you tell us about PMA's housekeeping branches?

Mr. Trigg: Most of us know a good bit about the staff branches and what they do. We must have money, people, supplies, equipment and a plan to work as well as organizational planning and a system for getting necessary instructions

to our personnel all over the country. These are the responsibilities of the Budget and Management Branch. We must call on the Information Branch for help in explaining our programs to the general public. Then we must check on our program and fiscal operations through the Audit Branch and the Compliance and Investigations Branch. I would like to take this opportunity, Jesse, to add that the real value and contribution of these staff branches are frequently overlooked or under-emphasized. Without them I am sure the program branches in Washington and PMA's offices in the field would find it difficult to carry out their program operations.

PANEL DISCUSSION

MARKETING SERVICES AND REGULATORY ACTS IN FMA

MARKET NEWS By L. M. Wyatt, Livestock Branch

The purpose of Market News is to help get commodities to the markets where they are most needed and to place farmers and dealers on an equal bargaining basis. Market News is simply the collection and dissemination of current unbiased factual information on supply, demand, quality, price, and other factors which affect the marketing of agricultural products. This information is essential to farmers in making an intelligent decision as to when and where to market their farm products.

The Market News Service is nation-wide and has been in operation for more than thirty years. In a general way, it covers the major commodities in the principal markets and producing areas. However, certain commodities are not covered in a number of important markets. The reports are transmitted from one Market News office to another by leased wire and to the public by personal contact, telephone, telegraph, mimeographed releases by mail, radio, and the daily press.

Because of variations in marketing practices for the different commodities, the responsibility for the operation of Market News is divided among several commodity branches. The thirty-one Market News offices of the Livestock Branch are responsible for market reports covering livestock, wholesale meats, and wool. The Fruit and Vegetable Branch covers fresh fruits and vegetables, peanuts, and honey from twenty-one permanent and thirty-five seasonal offices. The Grain Branch reports on grain, hay, feed, rice, hops, and beans at six points. The Cotton Branch covers cotton, cotton linters, and cottonseed from four field offices. The Tobacco Branch releases reports from two permanent and eleven seasonal offices on that commodity. Through an arrangement between the Poultry and Dairy Branch, the Dairy Branch is administratively responsible for reports issued from twenty-seven offices covering butter, cheese, eggs, live and dressed poultry, and other dairy and other poultry products. At some points Market News is conducted in cooperation with the State Department of Agriculture.

The Information Branch through its five Area Offices prepares consolidated market summaries for the wire services for the press associations and assists in increasing the effectiveness of Market News distribution by working with radio stations and newspapers. Last year 744 radio stations presented nearly one million Market News broadcasts and market reports were carried in 885 newspapers with a daily circulation in excess of seven and one-half million copies.

LIVESTOCK:

Livestock and Meat Market news began in 1916, covering only wholesale meat prices. In 1918 the service was extended to include livestock at several Midwestern markets. In 1924, it was further expanded to include trading in wool at Boston, the largest wool market. Since then additional Market News offices have been opened at many other markets and producing areas.

The Market News day in livestock begins early. Receipt figures are sent across the country on leased wire about six A. M. and within a few minutes each major market knows the supply situation in all markets. Wires on market trends and prices are then filed on schedule throughout the day.

Not all Livestock Market News offices follow the same pattern because the services provided are also designed to meet local market needs and methods of operation. Yet the work is sufficiently uniform to be usable and understandable in all livestock producing and marketing centers.

Reporting a livestock market is not merely a matter of jotting down prices received from buyers and sellers. In order to determine price trends, the reporter should have the feel of the market and also be a judge of values.

All Market News reports are based on fixed class and grade standards which were adopted after much study. These standards apply to the entire country and provide a common language for describing the kind of stock for which prices are quoted. Before these standards were adopted, practically every market had a language all its own for describing livestock, which made price comparisons between markets almost impossible.

In addition to the importance of Market News to farmers, and to all branches of the livestock and meat industry, the service has proven to be invaluable to Government agencies. It supplies background information necessary in carrying on programs dealing with price support, ceilings, food allocations, and, in fact, any program concerned with the marketing and distribution of agricultural products.

In summary, the Market News Service is now accepted as an important part of the trade in all major commodities.

STANDARDS AND GRADING By D. C. Beeler, Fruit and Vegetable Branch

Standardization and grading of agricultural commodities produced in this country are not new undertakings. They have been in use for nearly 100 years. Official Federal and State standards date back almost 40 years.

What are standards? They are merely abbreviated descriptions of those factors of quality and condition which reflect the value of the product.

What purpose do they serve? They provide a common language through which producers, dealers and consumers located at points distant from each other may deal with confidence in their merchandising operations.

The formulation and issuance of standards is based on research through the various stages of marketing and all standards must be continually under research to keep them abreast of changing conditions. If standards are to be useful in commerce they must be fair and they must be correctly and uniformly applied under inspection conditions.

In dealing with certain commodities the use of Federal standards in interstate and foreign commerce is mandatory--it is required by law. In this class are the standards covering grain, cotton, and apples and pears, for export. In several of these services the original inspection is made by licensees of the Department whose work is supervised by Federal employees to insure so far as humanly possible correct and uniform application. Tobacco inspection is mandatory only on designated auction markets.

There is another class of standards the use of which is permissive. They have earned their place in the picture because they meet a real need in commerce; consequently they are widely used. In this group are the standards for fruits and vegetables, dairy products, poultry products, naval stores, hay, rice, hops, beans and peas. Here again, in order to make the service as widely available as possible, part of the work is done by licensees through cooperative arrangements with States and commercial organizations, thus supplementing the work of Federal employees. In the case of meat grading, although the use of the grades is permissive, the service is performed only by Federal employees.

All inspectors, whether licensed by the Department and employed by States and commercial organizations or employed directly by the Federal Government, must be entirely unbiased. They are prohibited from having any financial interest in the commodities which they inspect.

Aside from the commercial aspects of standards and inspection, they also serve our own Department in its programs of loans, price support, and marketing agreements, as well as other agencies of Government engaged in the procurement of food and fiber for the armed services, for foreign governments, and for relief. I need not tell you of the performance of these inspection and grading services during the war period and the part which they continue to play during the rehabilitation period. We who took part in the job are proud of their accomplishments.

To carry on this work the number of offices, by branches, are as follows: Livestock, 112; Grain, 48; Dairy, including both Dairy and Poultry, 46; Cotton, 26; Tobacco, 5, with an additional 148 seasonal offices, also there are 6 Naval Stores offices under the Tobacco Branch which handle grading work; Fruit and Vegetable, 70--receiving and shipping point supervisory offices.

Now to be specific about the Fruit and Vegetable Branch. Fresh and processed fruit and vegetable inspection and standardization responsibilities are vested in the Fresh Products Standardization and Inspection Division and the Processed Products Standardization and Inspection Division, respectively. Generally speaking, our standards are permissive and inspections are made upon request by financially interested parties. However, some States have mandatory inspection laws. Also, practically all State and Federal marketing agreements have grade and inspection requirements.

The importance to the fruit and vegetable industry of established grades or standards and inspection based upon them cannot be overemphasized. They are the media upon which a major portion of long distance sales are

dependent. Utilization of inspection certificates in settling claims and disagreements involving millions of dollars annually has become common practice. While the services performed by these two Divisions are along similar lines, their methods and procedure are quite different. Consequently, we will discuss them separately, beginning first with our work on fresh products.

We now have 117 standards for 69 products. Sixty-two are for different fruits and vegetables and seven for other products such as nuts.

We have three different types of standards--those used as a basis for packing and selling mainly in carlots through wholesale channels, those used as a basis of contract between grower and processor, and those designed especially for consumer packaging. Only one of the latter--for potatoes--has been issued. Our standardization force of five men have headquarters in Washington, D. C.

Inspections for grade at shipping points for the past fiscal year totaled 758,788 carlot equivalents. We also inspected more than 1,500,000 tons of fruits and vegetables for processing. Market inspections will probably total 60,000 cars.

Shipping point inspections are carried on under cooperative agreements with every State except one. We have approximately 2,400 licensed shipping point inspectors who are on State payrolls but who are trained, licensed, and supervised by about 30 Federal Supervising Inspectors.

Commercial carlot and less-than-carlot inspections were made the past year in 60 terminal markets and also various Naval Stations and Quarter-master Market centers. Most of these inspections were made by permanent Federal employees with Civil Service status.

No money is appropriated by Congress for Shipping Point inspections so this service must be self-supporting as far as our part of the service is concerned. Congress appropriates money for Standardization and Receiving Market Inspection work. We charge fees which will as nearly as possible reimburse the Federal Government for the cost of the market inspection service.

The Processed Products Standardization and Inspection Division has developed standards for grades for 93 processed fruits and vegetables and fruit and vegetable products. Some of these standards need revising for clarification purposes and to bring them abreast with present-day industry practices. Additional standards need to be developed for some products on which no standards exist.

There have been no specific appropriated funds made available for developing and revising standards for processed fruits and vegetables. Recently a small sum was allocated to the Division to conduct research under three approved Research and Marketing Act Line Projects covering the revision and development of standards for a few specific products. The standardization work on processed fruits and vegetables in the past has been financed largely with inspection funds.

An inspection service for processed fruits and vegetables is made available to the industry and to Government procurement agencies through 29 laboratories which are located in the major producing areas and in many large receiving markets. Three district offices are established to provide appropriate supervision of inspectors in respect to policy and procedure and to maintain uniform interpretation and application of the United States standards.

The inspection work is conducted under cooperative Trust Fund Agreements with cooperating State agencies such as State Departments of Agriculture, Extension Services and associations of processors. We have 35 such agreements. All inspectors are Federal employees holding Civil Service status or Civil Service accepted appointments. No appropriated funds have been made available to conduct processed fruit and vegetable inspection activities. Fees are charged for inspection services rendered and deposited in Trust Fund accounts established under the cooperative agreements and from which salaries and expenses are paid. Approximately 20 percent of the total canned fruit and vegetable pack and approximately 35 percent of the frozen fruit and vegetable pack was inspected last year.

MARKETING AGREEMENTS AND ORDERS By A. W. Colebank, Federal Milk Market Administrator, Chicago, Illinois, Dairy Branch

The basic statute under which Marketing Agreements and Orders may be issued by the Secretary of Agriculture is the Agricultural Marketing Agreement Act of 1937. Under this statute, Marketing Agreements and Orders may be issued covering milk and dairy products, fruits and vegetables, and a few special crops. A Marketing Agreement is, of course, binding only on those parties who sign the Marketing Agreement. A Marketing Order, however, regulates each handler of the commodity irrespective of whether the handler executed the Marketing Agreement. The statute is an exercise by Congress of its power to regulate interstate or foreign commerce. Each Marketing Agreement and Order regulates, therefore, only such handling of the commodity as is in the current of interstate or foreign commerce, or which directly burdens, obstructs, or affects such commerce.

POLICY OF CONGRESS

According to the policy set forth by Congress in the Act, Marketing Agreements and Marketing Orders are designed to establish and maintain such orderly marketing conditions for agricultural commodities as will establish prices to farmers at the parity level. With respect to milk, prices may be established above the parity level in Marketing Agreements and Orders if the parity price for a particular marketing area is not reasonable. In such cases the statute directs the fixing of such prices as will reflect the market supply and demand for milk, insure a sufficient quantity of pure and wholesome milk, and be in the public interest. However, under the fruit and vegetable program, no action may be taken under a Marketing Agreement or Order which has for its purpose the maintenance of prices above the parity level.

PROCEDURE

The formulation and development of a Marketing Agreement or Marketing Order is somewhat complicated and requires considerable time and effort on the part of both the industry and the Department of Agriculture. In general, the institution of a Marketing Program follows this pattern.

The industry (generally producers) submits a proposed agreement to the Secretary of Agriculture with a request that a public hearing be held on the proposal. The proposal is published in the Federal Register and the hearing is scheduled. The hearing is a very important step in the development of a Marketing Program. Anyone, producers, handlers, or the public, may testify at the public hearing. All evidence at the hearing is given under oath, and any Order issued must be supported by the evidence contained in the hearing record. At the close of the hearing, a period of time is ordinarily fixed during which written briefs or arguments may be filed by the interested parties. Then the hearing record is analyzed by the Department and the Assistant Administrator of PMA prepares and files a report. This report outlines the issues developed at the hearing, how the issues were resolved, and contains the terms of the Marketing Agreement as revised on the basis of the evidence presented at the hearing. This report is published in the Federal Register, and all interested parties are given a period of time during which they may file exceptions to the report.

The exceptions which were filed are analyzed and a report is prepared which is the decision of the Secretary with respect to the Marketing Agreement. This report contains the final decision of the Secretary with respect to the terms and provisions of the Marketing Agreement and the findings of fact on which an Order may be issued. The proposed Agreement, as approved by the Secretary, is published in the Federal Register and is submitted to the handlers for their signatures. At the same time, a referendum is held among producers to determine if they favor the issuance of the Order. In the case of milk, if the handlers fail to sign the Marketing Agreement and at least 2/3 of the producers voting in the referendum favor the issuance of the Order, the Secretary then issues the Order which is binding upon all parties in the market.

PROVISIONS OF MARKETING ORDERS

The Milk Marketing Orders are primarily instruments for fixing prices to producers. Marketing Orders relating to milk may provide for the classification of milk in accordance with its use; establish minimum prices for each use classification of milk; require payment by each handler to producers of a minimum price based upon the use classification of such handler; and, in the case of a market-wide pool, the Marketing Order may provide for the equalization of payments among handlers so that all producers in the market receive the same price subject only to volume, quality, grade, and location to the market.

Marketing Orders for fruits, vegetables, and specialty crops are quite different from the milk programs. Minimum prices are not specified. The regulatory requirements, in general, consist of restrictions as to the volume, grade, and size of the commodity shipped in interstate

commerce. However, the primary function of these Orders is to maintain prices to producers through the establishment of orderly marketing conditions.

✓ HOW ADMINISTERED

The administration of the Marketing Orders for milk and for fruits and vegetables is also quite different. Each program for milk provides for a Market Administrator, selected by the Secretary, to administer the terms and provisions of the Marketing Order. Each program for fruits and vegetables provides for a committee of growers, handlers, or both, to administer the terms and provisions of the Agreement or Order. The producers and handlers designate nominees and the Secretary may select the members of the administrative agency from the groups thus designated by the industry.

The cost of administering the program is borne by the industry. The statute requires each handler to pay his pro rata share of the expense of administering the program.

There are 29 Milk Marketing Orders in effect at the present time, which regulate the handling of milk in most of the major fluid milk markets of the country. Naturally, there has been considerable litigation under this program. At least a half dozen cases involving the Marketing Orders for milk have been carried to the Supreme Court of the United States. The Government has been successful in all of these cases, and the basic framework of the statute has been upheld by the Courts. Probably in the future the main attack on the program will center on questions of procedure and administration rather than on the statute itself.

REGULATORY ACTS By Dr. F. W. Miller, Livestock Branch

Rules of fair play are an essential part of the American way of life. All of the advantages that accrue to agriculture from production and service programs, no matter how comprehensive, would be cancelled by a marketing system that allowed individuals or groups of individuals to benefit at the expense of others. Isn't the fruit grower who turns his apples over to a commission merchant at a shipping point or market entitled to a correct accounting for the sale of his property? Shouldn't the purchaser of seeds be able to place dependence upon the quality that is represented on the label? Shouldn't the user of insecticides be able to rely upon the claims made for the product? The answer to these questions is obviously yes. To make sure that the answer would be yes, the Congress passed a number of regulatory acts which deal with the marketing and distribution of agricultural products. These laws have not followed the same pattern for all commodities. They vary with the nature of the commodity, mode of distribution, and ultimate use.

These regulatory statutes may be divided roughly into three classes. First, the regulation of the business practices of those dealers who handle the farmer's products once they have reached the market place. In this class are the Packers and Stockyards Act, the Perishable Agricultural Commodities Act, the Marketing Agreements Act, and the Cotton Futures Act.

A second class includes the so-called truth-in-labeling statutes such as the Federal Seed Act and the Insecticide Act, which, by the way, has recently been overhauled and reenacted. These are primarily policing statutes and they hold the shipper responsible under penalty to label truthfully his products in keeping with their real quality and composition. A third class deals with the mandatory inspection laws which provide for the promulgation of standards, require their use in interstate commerce, and, in addition, contain provisions designed to prevent fraud and misrepresentation. Included in this class are such acts as the Grain Standards Act, the Cotton Standards Act, the Naval Stores Act, the Tobacco Inspection Act, the Export Apple and Pear Act, the Warehouse Act, and the Standard Container Act.

In the last analysis, their purpose is to promote fair dealing, whether they take the form of regulation of traders, truth in labeling, or mandatory inspection. They are designed to facilitate commerce in agriculture commodities and to protect the producers, handlers, and consumers of those products through the processes of marketing and distribution.

At this time it is not possible to discuss in detail each of the 18 regulatory acts which the Production and Marketing Administration administers through its branches. Using the Packers and Stockyards Act as an illustration, therefore, I shall from this point confine my remarks primarily to that statute.

Outside of the Packers and Stockyards Division, the Livestock Branch has seven regulatory offices, F&V 4, Dairy none, and Poultry none. Much if not all of the work of the 55 Grain Branch offices, 26 Cotton Classing offices, and 5 permanent and 148 seasonal offices for Tobacco fall in the field of regulatory work because their grading work is mandatory.

The Packers and Stockyards Act is administered by the Livestock Branch through the Packers and Stockyards Division.

In general, the Act provides that the facilities and services furnished to livestock producers at public markets shall be adequate, that the charges assessed for stockyard and commission firm services shall be reasonable, that all livestock consigned by producers to the markets for sale shall be sold under open, competitive conditions, that the weighing of such livestock shall be accurate, that full and correct accountings shall be furnished livestock producers and buyers for whom the commission firms act as selling or buying agents, and that the stockyard companies, commission firms, dealers, and packers shall not engage in unfair, deceptive, or discriminatory practices.

We maintain supervisory forces at 17 of the principal livestock markets and sub-supervisory offices at three other locations. An area supervisor is assigned to general supervisory work at all of the markets in the 11 Western States, including some markets in Western Nebraska.

Public stockyard markets having an area in excess of 20,000 square feet, at which some interstate business is transacted, are subject to the Act, as well as commission firms and dealers operating at such markets. Packers engaged in interstate commerce either in the purchase of livestock or sale of meat or meat products are subject to the Act, under a

separate title which relates to unfair or monopolistic practices. The marketing of poultry at large consuming centers is subject to supervision under a separate title passed in 1935.

There are now 200 stockyards, 2100 commission firms, 2800 dealers and 1900 packers subject to the Act.

Supervisors observe daily operations at the stockyards to determine inadequate facilities or services, unfair practices or any conditions detrimental to producers. They settle informal complaints and obtain adjustments totaling many thousands of dollars each year for shippers.

Commission firms and dealers maintain bonds totaling more than 30 million dollars. These are to assure payment of proceeds to shippers and payment of livestock purchased by dealers. Bonds assist greatly in maintaining financial stability of the livestock marketing industry and in protecting shippers in sales of livestock reaching billions of dollars annually in value.

In regard to packers, we investigate to break up relationships between buyers and sellers which tend to interfere with competition and we have required so-called turn systems to be done away with so that producers' livestock will be sold on the open competitive market.

More than 700 livestock scales are used at the 200 posted markets. They are installed, maintained, tested and operated in accordance with rules laid down by our Division. Tests and inspections are made regularly under our supervision to determine the fitness of the equipment and its ability to weigh accurately. Our standards of accuracy are as high or higher than those of any other industry. We also, to the extent we can, observe and supervise weighing by packers at their plants or buying stations.

Engineers and specialists in the Division are studying the kind and quality of services and facilities at stockyards. As a result of our activities stockyards are making improvements totaling one and a half million dollars. We emphasize services rendered to producers when considering proposed increases in rates for yardage and commission. We grant increases where it is shown there are increased costs such as wages and salaries, provided services are good. We assume producers want good services and facilities even though this may involve somewhat higher charges.

We have concentrated on obtaining improved yarding and selling services for producers. We are insisting on good standards for commission firms and as a guide we measure their effectiveness by their ability to stimulate active competition, to furnish expert salesmanship and to furnish full and accurate accountings. Audits are made of the books and records and particular attention is paid to relationships between salesmen and dealers at the market, packers and others which might be detrimental to the interest of producers. We have stopped the practice of channeling producers' livestock to one buyer without obtaining competitive bids. We have eliminated numerous unfair, deceptive practices. During the past year we have required certain commission firms to refund over \$50,000 to shippers representing overcharges on feed, and in addition many thousands have been refunded as a result of overcharges on commission.

We now are requiring traders to pay reasonable charges for the services and facilities they receive. These charges total in excess of one half million dollars annually. To this extent producers are not required to carry the whole burden of supporting the stockyards and this results in proportionately lower marketing charges for the producers.

We have recently proposed a regulation requiring a separate bank account in which to deposit and handle producers proceeds of sales. When these accounts are established commission firms will maintain strict segregation of their funds from producers funds. Such accounts are now, and have for some time, been in operation at a number of markets. In addition each producer having funds in these accounts receives the benefit of the insurance provision of the Federal Deposit Insurance Act up to \$5,000 in case of bank failure.

We are receiving the active cooperation of a large portion of the industry in the furtherance of our program to improve and better the livestock markets. This Act was passed primarily to protect livestock producers who patronize these markets. It is essential, if they are to realize the full benefits of the Act, that we have their cooperation and we urge producers to visit our offices and to report to our local representatives any inadequacies they notice in facilities or services at posted markets, or any matters which they think are not right and should receive our attention.

COOPERATION WITH THE STATES By S. R. Newell, Deputy Assistant Administrator for Marketing

Cooperative work on marketing services started a good many years ago. The need for the program developed naturally from both sides. The states that were becoming interested in standards and grades, and market news, recognized that if their program was to be most useful to their producers the grades would have to have national acceptance, and the market information would have to be comparable as between States. The Department of Agriculture likewise recognized that if its work in the same field was to do the most good, there would have to be a coordinated program between the States. Thus, the basis for the cooperation grew out of a mutual desire to serve most effectively in the whole field of marketing which is perhaps the real reason this cooperative enterprise has endured and prospered over some 30 years.

Advantages on the development of the program on this basis are obvious. In the first place a multiplicity of individual grades or market news on different bases would have resulted in great confusion, which would have prevented or greatly delayed progress in these important fields. Then, too, by joining forces an effective division of labor was possible which has enabled the States as well as the Department to accomplish much more than either could have done working separately.

The advantages of adopting the same principles became apparent in other fields. Certain research activities, such as that carried on in cotton spinning, has been greatly aided by cooperation with State institutions. Some of the regulatory work, notably in the case of the Federal Seed Act enforcement, was greatly augmented by joint efforts with the States.

Thus it might be said that the whole program of marketing services in PMA has grown up under a philosophy of cooperative effort with the States. The result is that in this field alone some 391 cooperative agreements between PMA and the States are presently in effect. The largest group (about 265) of such agreements are on grading activities. Under these agreements between \$3,000,000 and \$4,000,000 in grading fees were handled last year. Another large group deals with market news where some 30 States are supplementing the national service by providing funds and personnel to report markets that are of primary interest to the State concerned, and to further disseminate reports from the national markets. All 48 States are now cooperating in the enforcement of the Federal Seed Act.

For the most part, the work in the States is in conjunction with the State Department of Agriculture or Bureau of Markets, which is the agency charged with responsibility for carrying out marketing services and regulatory work. The arrangement varies, however, and in some States there is no Bureau of Markets, while in others the marketing work or some part of it is delegated to other agencies such as the Extension Service or Experiment Station. On research work the State college or experiment station is usually designated. At the present time the 391 agreements are distributed about as follows:

State Departments of Agriculture or Bureaus of Markets	297
Extension Service	25
Experiment Stations	19
Others	50

I might add a word here regarding some other lines of work. The School Lunch Act is carried out under a plan for grants in aid to the States. Responsibility for this work is centered in the Food Distribution Programs Branch of PMA. Most of you are familiar with this program and time does not permit elaboration on it, but I would like to point out that \$48,750,000 are being provided for carrying out the school lunch program this year.

Under the Marketing Act of 1946 it is provided that to the extent possible the research work undertaken shall be with the State Experiment Station, the educational work shall be cooperative with the Extension Service of each State, and the marketing services and regulatory work shall be in cooperation with the State Department of Agriculture or Bureau of Markets. The effect of this law will be to expand the well-established policy of cooperative work with the States. It is a sound plan which holds promise for greater development of our marketing services into many new fields as an aid to producers and consumers in the solution of the complex problems of distribution.



REPORT OF CONSERVATION AND LAND USE ADJUSTMENTS COMMITTEE

One of the most important long range objectives for agriculture is the conservation of our natural resources -- Our crop, grazing and forest land and water supplies -- to keep them permanently productive. We must use our natural resources intelligently if we expect to continue to produce on a sustained yield basis. The future health and security of our nation depends upon the conservation of our land and water resources. Under the impact of our present all-out production effort to alleviate starvation of our friends abroad and to help preserve the peace of the world, it is particularly important that we protect our land and water resources now to the utmost with conservation practices.

It should be the policy of the department in furthering our conservation objective to achieve the maximum possible coordination and integration between all department functions dealing with the conservation of agricultural resources and with land use adjustment.

In the limited time at its disposal the committee has considered a few important questions dealing with this important subject.

1. What steps need to be taken to view conservation in its broadest implications?

The committee feels that steps should be taken to:

- (1) Inform farmers and the general public of the importance and need for conserving our agricultural resources.
- (2) Provide better planning.
- (3) Further improve working relationships and understanding between agencies which deal with conservation.

It is believed that required courses on conservation in our schools and restitution of field information work would be helpful.

2. How can the individual farm planning approach be used to integrate conservation into an over-all farm plan for the organization and operation of the individual farm?

First, an individual farm conservation program should be established for the farm. This would be based on (1) character of the soil, (2) percentage and length of slope, (3) degree of erosion, (4) drainage and water supply, (5) present land use. This program should be one which will ultimately blend into an over-all conservation program for the area or community in which the farm is located. After the conservation program needed for the farm has been determined, the next step required is the determination of an over-all farm organization plan which would:

- (1) Assure the owner and operators sufficient income to meet their cost and living requirements.

- (2) Assure the carrying out of the conservation program for the farm, step by step over a period of years with different phases or features being carried out in order of their importance.
- (3) Would establish the best production program for the farm with regard to crop rotations and land use.

The farm plan should be developed in the first instance by the farmer and community committeeman and reviewed later by technicians. We cannot wait for trained technicians to do the job in the first instance. The job is too urgent. Available technicians should be used to the utmost to train farmers to do this work for themselves and others.

The ultimate aim of a successful farm plan should be one of building back into our soils the fertility which is necessary to assure adequate production of food and fiber for this, and future generations.

3. To what extent can we rely on education and technical assistance only in assuring wise use of land and adoption of conservation measures?

The committee feels that education and technical assistance is very important but that they are not sufficient within themselves. This was fairly well demonstrated when, on May 23d, of this year, the Congress indicated that funds for the agricultural conservation program would probably be drastically reduced. The announcement of action taken by the Congress was instrumental in almost halting the carrying out of conservation practices. The committee believes that technical assistance when not implemented by conservation payments results in less effective use of public funds.

4. Where conservation measures require either an initial cash or labor investment, or the utilization of land for non-cash-crop purposes, can the required investment be financed best as a loan, a grant or by incentive payments?

The most important measure from the view-point of the committee is the incentive payment. It is felt that a plan under which the farmer enters into a partnership with his government to share the cost of conservation in accordance with benefits derived by the farmer and the general public is sound public policy. However, all three of these measures are needed in some areas and under certain conditions to meet our conservation needs.

5. If conservation payments are used, should they be conditioned upon the development and effectuation of an approved long-time land use plan for each farm and not just compliance for carrying out certain specific practices?

The committee's answer is in the negative. The need for long range farm plans is recognized. However much education, information and work will be required before long range planning is adopted on a nation-wide basis. In the meantime encouragement of good conservation farming must not be lost by conditioning incentive payments upon an objective which, although laudable, is not susceptible of immediate attainment.

6. Should payments be used to bring about production adjustments which may be looked upon as investments in improving the productive pattern of agriculture and thus self-terminating?

The committee does not believe that payments should be made for shifting production from one crop to another. The committee favors, however, paying for practices which result in shifts from soil depleting to soil conserving crops.

7. What relation have public, cooperative, and private credit facilities to conservation and land use adjustment? What contribution can credit make to the achievement of efficient farming units and wise land use?

Public, cooperative and private credit can contribute much to that part of the conservation effort which is borne by the individual farmer and if intelligently directed can contribute immeasurably to efficient farming and good land use. In this connection there is great need for long term credit for some important conservation measures which do not bring immediate returns but which will return their cost over a period of years. In this connection, the committee endorses the work which some lending agencies are carrying out to encourage and finance conservation measures on a reasonable basis.

8. How can the conservation program be related to security of tenure and the maintenance of family farms?

There is no question but that conservation improves security of tenure. Good tenants want good farms and more and more landlords are selecting tenants who practice conservation farming. Our best hope of securing good land tenure and stable farming conditions is through mass effort to conserve our soil.

9. What is the general relationship between conservation programs and crop insurance? For example, should crop insurance be a compulsory part of a conservation program in areas where risks are especially high or should the conservation program be a compulsory part of crop insurance?

10. Can our conservation payments be geared to price support operation in such a way to prevent use of marginal lands, plowing up of sod, etc?

It is the opinion of this committee that crop insurance and price support should not be tied to the Agricultural Conservation Program. The committee felt that all programs should be as voluntary as possible. Also, it was noted that administrative difficulties of considerable magnitude would be involved. However, it was pointed out that if crop insurance comes through its experimental period, it might be possible to require the farmer to meet a minimum conservation goal for his farm to be eligible for crop insurance.

11. Should prior approval be required for all soil conservation practices upon which incentive payments are made?

The committee felt that prior approval should be required for engineering practices. It was also agreed that each State committee should require prior approval for other practices where the committee believed that more conservation would be obtained in this manner.

Chairman: Albert J. Loveland

Secretary: Charles Cox

REPORT OF THE RURAL FACILITIES, SERVICES AND INDUSTRIES COMMITTEE

As our most valuable agricultural resource is people, this committee is concerned about conservation of humans because, like land they can also deteriorate, erode and become depleted. In addition, farm people need parity of opportunity for self development, therefore this committee makes the following recommendations:

A. Farm Income.

1. Farm income should be on a parity with non-farm income. The committee recognizes that some farm groups have reached this level of income but nationally this situation does not exist. Increased farm income can be obtained through economic use of labor and machinery, improved health and education facilities, making full use of and expanding the Agricultural Conservation Program, expansion and extension of cooperative farm marketing and purchasing, continuance of price support programs, improved marketing facilities, proper use and management of farm woodlands and development of rural industries.

B. Education.

1. With increased mechanization on farms, educational and technical training opportunities for adult farmers should be widened.
2. The reorganization of rural school units as recommended by the 1944 White House Conference on rural education should be supported.
3. The National School Lunch Program should be further extended by aiding schools in obtaining adequate equipment and facilities.

C. Health, Sanitation and Safety Measures.

1. State and county USDA councils with other local organizations should take an active part in making full use of the provisions and funds provided under the Hospital Survey and Construction Act.
2. Particular emphasis should be placed on those conservation practices in the Agricultural Conservation Program which will contribute to improving the quality of food and feed, thereby improving health standards in rural areas.
3. Group health associations in rural areas should be provided on a voluntary basis.

D. Rural Industries.

1. Rural industries should be developed to provide opportunities for full employment. Such industries would contribute to employment during the slack farming season. These industries would include feed-mixing plants, farm machinery shops, canning plants, cold storage houses, milk plants, packing sheds, freezer

- lockers, furniture plants and other wood-working industries.
2. Emphasis should be placed on the development of community food preservation facilities in order to provide additional outlets for locally abundant foods. This would help assure maximum utilization of all that is produced and to improve farm living.

E. Housing.

1. Facilities should be provided for guarantee by the Federal Government of loans for building houses and farm buildings to farmers unable to get credit elsewhere but such loans should be based upon ability to repay.

F. Rural Electrification, Telephone Services, Roads and Recreational Facilities.

1. Ample loan funds should be made available to continue REA-financed construction program.
2. Expand and improve rural telephone services.
3. Provide an adequate system of all-weather roads.
4. Expand recreational facilities.
5. State, county and community committeemen should encourage and offer their assistance in developing REA, telephone, roads and recreational facilities.

G. Farm Cooperatives.

1. Encouragement and assistance should be given to the expansion of bona-fide farm cooperatives.
2. Under the Research and Marketing Act an exhaustive study and development of farm cooperatives should be carried out.

H. Social Security.

1. Old age and survivorship coverage should be extended to agriculture. Unemployment compensation, in its present form, is not practicable. Further study should be given to the provisions of these programs.

I. Migratory Labor.

1. Adequate housing, health, education and other community facilities should be provided for the migrant labor population on a permanent basis, and Federal and State Governments should assist local communities and employers in providing these facilities.

Chairman: Joseph N. Blandford
Secretary: J. H. Dean

REPORT OF PRICE POLICY AND PRODUCTION ADJUSTMENT COMMITTEE

The Committee urges strongly that price supports for agricultural commodities be continued after expiration of the Steagall amendment.

It is recognized that a long-time farm price support program must have sufficient flexibility to meet varying conditions among the many agricultural commodities at different periods of time. Because of this tremendous complexity, our Committee was divided into subcommittees on major commodity groups and the reports of these subcommittees are included as a part of this report.

After considerable discussion of the modernized parity formula as presented by the Department in its long-time price support testimony to the agricultural committees of Congress, this group decided that it would be best to continue with the present parity formula until a more thorough study has been given to the modernized parity formula. It was our opinion that a revision of the parity formula would be such an important change that all agricultural groups should have an opportunity to study this proposed revision in detail. It is recommended that the Department appoint a group made up of state and county committeemen representing various areas and agricultural commodities for the purpose of making a detailed study of this modernized parity price formula.

It is recommended that a program be developed whereby farmers receiving price support on their commodities must carry out conservation practices to protect the land. It is realized that this type of program will need to have considerable flexibility and that much of the responsibility must be placed on county committeemen.

It is also recommended that the Department of Agriculture and the Department of State and all other agencies of the Government exert every effort to maintain and expand the movement of surplus agricultural commodities in international trade.

It is further recommended that when supplies of any commodity are so large that compliance with farm goals is made a condition for receiving price support for that commodity, the acreage reduced in order to meet the goals shall be used for conservation purposes, or if planted to any depleting crop, it shall be used for some commodity of which there is a shortage.

The group as a whole, as well as several of the individual subcommittee groups, recommends very strongly that work being done under the Research and Marketing Act of 1946 emphasize projects designed to reduce the cost of producing, processing, and distributing agricultural commodities. Our discussion of price support policies brought out the importance of developing new uses for surplus agricultural commodities.

REPORT OF COTTON SUB-COMMITTEE

1. The present base period, 1909 - 1914, should be used for computing parity for cotton.
2. The level of support price through loans should be not less than 90 per cent of parity.
3. When and if necessary, cotton acreage allotments and marketing quotas should be used.
4. Minimum soil conservation practices must be carried out for a producer to be eligible to participate in the cotton loan program.
5. As the agricultural conservation program has encouraged better land use in the cotton area and has encouraged the shift of marginal areas from cotton to more profitable enterprises, it is recommended that needed funds be made available through the Agricultural Conservation Program for this purpose.
6. To implement and expand the Smith-Doxey Classing Service, additional funds should be requested from Congress to meet the needs of this service. From experience under the Smith-Doxey Act, it is evident that a universal cotton classing service, to be used on a voluntary basis, would be in the public interest.
7. Much progress has been made through Governmental and private research on cotton and it is recommended that under the new Research Act and other research programs ample funds and technical service be made available to further implement and speed up the needed research on cotton, including breeding, mechanization, processing, and marketing.

REPORT OF DAIRY SUB-COMMITTEE

Any long-range policy of abundance should provide some plan for the support of dairy prices, which in turn would support the incomes of farmers producing milk and butterfat. Production adjustment programs for crops formerly having export markets larger than those likely to prevail in the future tend to provide more acres for producing feed for dairy cattle. Soil conservation producers likewise tend to produce more feed for dairy cattle. More feed means a larger milk production.

But unlike the situation for some other farm products it appears that the nation's population needs this greater milk production if that population is to be well fed. The price support for milk and butterfat should be one that provides adequate prices to dairy farmers for all milk and butterfat that is likely to be produced during the next few years. It should be a program that provides that those with good incomes pay these prices while providing some means by which those with low incomes could obtain reasonable quantities of dairy products.

The Level of Prices

It is generally recognized that the present parity formula does not give parity prices that would result in adequate production of milk and butterfat. The Steagall amendment, however, provides for support above the minimum level. While there is no objection to certain proposed changes in the parity formula, it is more important that the flexibility provided in the Steagall amendment be maintained than that the formula be changed. Conditions are constantly changing so that no formula will remain satisfactory. It is more important that consumer and industrial groups be educated to the fact that the present parity formula is tied to the prices of things produced in the city than that farmers argue among themselves about minor refinements of the parity formula.

Method of Support

The principle that should be followed in supporting dairy prices is that those that have good incomes should pay good prices while those with low incomes should be helped to secure at least minimum supplies of dairy products.

To carry out this principle the Secretary of Agriculture should have the following authorities and be provided with ample funds to carry out such authority:

1. To purchase dairy products for the purpose of supporting dairy prices.
2. To store dairy products.
3. To resell dairy products to the trade when prices rise above support prices by reasonable amounts.
4. To distribute dairy products to School Lunch Programs and through other programs that will provide low income people with dairy products.
5. In periods of severe depression, if the above methods are inadequate to maintain adequate dairy prices to make payments to producers either directly or through processors.

Research

Under the Research and Marketing Act of 1946 studies should be made:

1. To find new ways of using milk especially the non-fat parts of milk.
2. To find better ways of storing dairy products so that they can be carried from season of high production to periods of low production and perhaps from year to year.
3. To find ways of reducing the cost of processing and distributing dairy products and to find better ways of doing these things in order to encourage greater consumption of dairy products and of giving consumers more dairy products per dollar.

while at the same time giving producers, processors, and distributors adequate returns.

Production Adjustment

While it now appears that all milk likely to be produced will be needed for adequate nutrition, a situation may sometime develop that will require a production adjustment program for milk and butterfat. Research should be begun as to what such a program might be and how it could be administered.

The Committee recommends that the pricing of Class I Milk in fluid milk markets, operating under Federal Marketing Agreements and Orders, be by formula which recognizes the following factors:

1. An index of consumer purchasing power
2. An index of milk production costs
3. The general price level
4. Seasonal producer price adjustments to insure supplies to meet demand.

REPORT OF SUB-COMMITTEE ON FRUITS AND VEGETABLES

The sub-committee on Fruits and Vegetables has agreed that price support for fruits and vegetables should be established at levels in line with the basic commodities.

Because of the perishable nature of these commodities we feel that a major effort should be made to expand consumption where supplies of any of these products threaten the price structure.

Full use of present marketing agreement legislation and perhaps expansion of such legislation can be used to provide better returns to producers and improve quality of product to consumer. Increased consumption of these products can be accomplished by enlarging the school lunch program, and putting a floor under consumption by use of the food stamp plan.

Intensive research or some similar device is needed to determine new uses for low-grade products. And finally we recommend acreage control on potatoes and other vegetables if necessary.

REPORT OF SUB-COMMITTEE ON GRAINS

The Sub-committee recommends;

1. For wheat: That a reasonable export program be maintained, implemented, insofar as possible, by international wheat agreements.
2. For all grains: That as long as the national crop is produced in accordance with a sound land-use policy, any of the crop not required for domestic use, a generous carry-over, and to fulfill

reasonable export requirements should be used industrially insofar as such use can be encouraged.

3. For all grains: Whenever a grain crop is produced in such quantity that sound land-use policies are not being followed and supplies of the crop are becoming too great to be easily absorbed, acreage allotments should be applied and when necessary marketing quotas.
4. For wheat, corn, and rice: That loans and purchase agreements should be offered producers in every crop year at 90 per cent of parity. In years when acreage allotments are in force, price supports should be contingent upon compliance with acreage allotments and only to producers who practice soil conservation.
5. For feed grains: That loans and purchase agreements be offered producers at a rate based on 90 per cent of corn parity adjusted for the comparative feed value of such grain to corn.
6. For all grains: That in all years both loans and purchase agreements be offered as price support measures. We consider the purchase agreement program to be a valuable complement to but not a replacement of the loan program.

The Subcommittee does not favor a two-price system of price support to the producers.

REPORT OF LIVESTOCK COMMITTEE

1. Hogs and wool should be supported at not less than 75 percent of the modernized parity. Hog price supports should include seasonal variations. The percentage of parity applied to hogs should be comparable with the percentage applied to corn, but it should be established only at a stop-loss level.
2. In view of the reduced numbers of cattle and sheep on farms and ranches and the extreme difficulties of carrying out price supports on these animals, we do not recommend a support level for them because it appears that there is no apparent necessity in sight for such support. However, we recommend that the Commodity Credit Corporation be authorized to institute support for sheep and cattle prices at 75 percent of the modernized parity if a drought or other emergency would otherwise cause ruinously low prices.
3. Price support operations for livestock and wool should be carried out by making direct payments to producers. Rates of payment should equal the difference between the price support levels and the U. S. average market price received by producers as reported by the Bureau of Agricultural Economics for the marketing period to which the price support applies. The payment to an individual producer should not be based on the price he received for his own sales. Instead, it should be made clear to all producers that the payment will be the same rate per pound to all producers, regardless of the prices they individually receive, and that every additional cent increase in price a producer can obtain in the open market when he sells his product will increase his total return on his sales by that amount.

Consumers would thus be given the advantage of an open market price for for the commodity resulting from the free play of supply and demand factors. The purpose of this would be to get the supply moved freely into marketing and consumption channels without interference from Government price support operations.

4. In emergencies -- and to meet temporary situations when direct payment procedure cannot be put into operation rapidly enough or would not be justified for a short period of price support apparently required -- purchases of products should be authorized. Supplies bought should be disposed of through school lunch, relief distribution, exports, stockpiling and sales into regular marketing channels in case such sales would not depress prices received by producers to undesirable levels.

5. In cases of emergency, or when future supplies threaten to be unduly short, price supports should be authorized at such levels as would promote adjustments in the production or marketing of these commodities.

6. Price support programs should be designed to encourage achievement of marketing goals as a means of affording greater price assurance to producers, thus serving as a better guide to farm production and marketing adjustments.

RECOMMENDATIONS OF POULTRY SUB-COMMITTEE

1. The use of the modernized parity based on a 10-year moving average.
2. That the Department of Agriculture endeavor to support prices at 75 per cent of the modernized parity or higher and that such support prices be on a sliding scale determined by the percentage that production falls below the established goals.
3. Authority be granted to support prices above minimum mandatory levels when deemed necessary.
4. Acreage allotments and marketing quotas have no practical application to the poultry industry. Compensatory payments or two price systems are also considered not to be practical for this industry.
5. When commodities are used in new industrial uses some forms of subsidy should be provided.
6. Poultry products support programs would not seem to lend themselves to

- a tie-in with conservation requirements.
7. Mandatory price support should not be limited to storable commodities; such devices as school lunch, relief distribution, etc., are useful for non-storable and other commodities.
8. Supplies of products accumulated under price support operations should be used as an aid for balancing the American diet for those citizens having an inadequate diet, and where necessary and definitely needed, to aid people in other countries.
9. We believe the price support programs may be improved by the following:
- By letting the producers, insofar as possible, know in advance what they may expect in the way of minimum prices.
 - By the continued utilization of a National PMA State Committee Advisory group as recently established by the Poultry Branch. By a much closer contact between the State Committees and the Poultry Branch which can be worked out through such arrangements as the utilization of the Poultry Branch regional offices, whose staff personnel, if available, could immediately get into any area where a Price Support Program may not be working satisfactorily, and call together in cooperation with the State Committee interested groups and marketing agency representatives who could and should aid in making the program work.

REPORT OF TOBACCO SUB-COMMITTEE

1. The present production and marketing activities, which include, marketing quotas, support prices, soil conservation, and complete Federal inspection, and market news constitute the best and most practical program ever developed for tobacco growers. The essentials of this program should be maintained, improved and strengthened.
2. The present parity formulas for tobacco are generally satisfactory.
3. Tobacco growers strongly favor price supports at a relatively high percentage of parity. However, consideration should be given to the possible need for some price differentials as between tobacco which is exported and tobacco which is used domestically.
4. Strenuous effort should be made to regain and expand export markets for tobaccos from the standpoint of quality. Use of Section 32 funds, and other means of making U. S. tobaccos fully competitive from the standpoint of world prices should be studied and considered, recognizing that generally higher price levels in this country and shortage of dollar exchange in foreign countries now seriously endanger export markets upon which around a half million farm families have depended for sale of a large part of their tobacco.
5. Marketing and research activities for tobacco should be expanded and pushed vigorously.

6. Price supports for tobacco should be tied to conservation practices, if it is administratively practical.

REPORT OF SUB-COMMITTEE ON OILCROPS, FATS AND OILS

The sub-committee has the following suggestions regarding price policy and production adjustment as related to oilcrops and fats and oils:

1. Present parity or comparable prices for soybeans and flax seed do not represent comparable per acre net returns when compared with parity prices for corn and wheat, respectively, the principal competing crops. Any revision in parity or comparable prices should be such that equitable relationships will prevail.
2. Support prices should not be less than 90 percent of the parity or comparable prices and the Department should have authority to establish support prices at higher levels to encourage shifts in production to meet needs. Higher prices should be used when necessary to assure domestic production to avoid being dependent upon imports from areas when the supply is uncertain. This is being done for the 1947 and 1948 flax seed crops because imports from South America are extremely uncertain and all indications are that such imports could be obtained only at a high price. Obviously, these prices would be much higher if the United States did not produce its own supplies.
3. Peanuts are now a basic commodity. It is recommended that soybeans and flax seed also be defined as basic commodities.
4. The method of supporting prices should be left as flexible as possible in order to assure maximum effectiveness and minimum administrative costs.
5. Each support price level should be announced well in advance of planting time. This will enable farmers to determine their crop plan and to obtain seed and other materials. No changes should be made in the announced support level because of the size of the crop as related to the goal.
6. It is not desirable to support the price for peanuts or any oilseed crop at different levels dependent upon use. This has been attempted in the case of peanuts and found to be extremely difficult to administer or to justify to farmers.
7. Supplementary direct payments should not be used in supporting prices.
8. Outlets into industrial or new uses should be subsidized only on a temporary basis and then only to develop new markets which can eventually become economically self-sustaining or to dispose of surpluses.
9. Marketing quotas are now in effect for peanuts and should be provided for other crops for use when needed to bring production in line with demand at support levels.

10. Support price operations should, insofar as practicable, be conditioned upon the carrying out of approved conservation practices.
11. Peanuts or oil crops acquired under price support operations must be processed before reaching the consumer. Accumulation of such crops can to some extent be minimized by use of the food stamp plan or by the purchase of fats and oils finished products for the school lunch program.

Chairman: L. M. Vogler

Secretary: Murray Thompson



REPORT OF THE
MARKETING AND FOOD DISTRIBUTION COMMITTEE

One of the major problems facing American Agriculture in the coming years is marketing. The history of agriculture is one of steadily increasing production, notwithstanding the fact that in recent decades farm population and labor forces on farms have tended to decline. During most of the period between World War I and World War II farmers complained of low prices, inadequate market outlets and mounting surpluses. Marketing costs steadily rose. At the same time a considerable portion of the population in this country was inadequately fed and clothed and millions abroad went hungry and ill clad. During the war period and up to the present time unusual demands for products at home and abroad and high consumer incomes have tended to give temporary relief from the marketing problem and low standards of living. But with the return of more normal conditions the problem of distribution will become more serious. Therefore, the future prosperity of the farmers and well-being of the nation's consumers depends in no small degree upon the development of an efficient marketing system that will move the large quantities which this nation's farms can produce to the consumer in as large quantities as possible at the lowest possible cost.

The committee on Marketing and Food Distribution has given serious consideration to these factors and reached certain conclusions which it believes should receive the consideration of the PMA and the entire Department of Agriculture.

First, all members of the committee are of the opinion that when the statement on the "Long Range Problems of Agriculture" is revised for final submission to the Congress, the need for improved marketing should be reemphasized and the recommendations already made should be further amplified.

In addition to this general recommendation in the field of marketing the committee gave consideration to the several areas which comprise the entire subject of marketing and made several suggestions on each. The fields receiving special consideration by the committee were (1) marketing facilities, (2) food distribution program, (3) marketing services and regulatory work and (4) marketing research. The views of the committee on each of these subjects follow:

I. MARKETING FACILITIES

In considering this subject, marketing facilities were defined as facilities used for the physical handling of products in the marketing channel. They include the facilities in market places in both producing and consuming areas, storage warehouses and transportation facilities, as well as the equipment used for handling in each of these facilities. The committee felt that these physical handling costs are an important part of marketing costs and that inadequate facilities constitute bottlenecks to distribution and tend to cut down the flow of products through the distributive channel. Specific recommendations of the committee in this field are:

1. More work should be done by the PMA in cooperation with State, trade, and farm groups to get more efficient market facilities planned, built, and in operation in those areas where existing facilities are wasteful, inadequate, and inefficient. Where needed facilities are non-existent the necessary facilities should be planned and promoted. This includes not only market facilities for packing, selling and distributing in concentration and terminal markets, but storage warehouses as well.
2. The program to get an adequate supply of transportation equipment into areas where the movement of products has been hindered by insufficiency of transportation should be encouraged and expanded. Future shortages of transportation should be determined as far in advance as possible and the areas affected should be informed as to the coming problem and what is being done about it. Later reports should be made to acquaint farmers in such areas with the results of the action that was taken.
3. While the present work to keep transportation costs on farm and food products as low as possible has been extremely beneficial to agriculture, it is recommended that the resources available for this work be expanded and that everything possible be done to keep transportation costs low and to maintain the flexibility in transportation needed to maximize the distribution of farm products.
4. A study should be made to determine the possibility of expanding distribution of farm products and diminishing the waste of perishable foods by building food locker facilities in small towns, rural and urban areas. Assistance should be given to communities interested in planning and operating such facilities.

II. FOOD DISTRIBUTION PROGRAMS

While we plan and work for a long-time expansion in the domestic food market, we cannot overlook the more immediate opportunity to improve farm incomes and raise dietary standards. We all know that many tons of food are wasted or diverted to less profitable non-food uses during periods of peak supply. It is wasted or diverted at a time when many a school child and working man needs these very foods to balance his diet. Potentially, we have the capacity to produce and to consume the farm products required for an adequate and rising standard of living. But there is an important middle link in this chain of abundance--it is distribution. A big supply of farm commodities is not a realistic abundance unless it is generally available to all the people.

The Department's food distribution programs make a combined attack upon the immediate and long-time problems. Each of these programs uses a different approach, but the end result is the same. In spite of the number of programs which we are suggesting, our first emphasis in expanding consumption and stabilizing farm income should be placed on maximizing the quantity of agricultural products which flow through the normal market channels at prices reasonable for both producers and consumers.

In providing a floor under consumption we need to do the following in relation to present Distribution Programs:

School Lunch

1. Retain and expand National School Lunch Program and keep it operating at all times.
2. At the present time only about 25% of America's school children are participating. The nutritional standard of these children has been raised by the School Lunch Program and undoubtedly the nutritional standard of their families; therefore, it is an important factor in providing additional immediate and future markets for farm products.
3. In expanding this program by means other than increased Federal Funds, it will be necessary for States, and local school districts to increase their financial support.

Direct Distribution

1. A direct distribution program is needed for distribution of acute surpluses in situations where aids to consumption, acting through normal trade channels, could not move fast enough to correct the situation.
2. Expansion of this program is possible through (a) Increased facilities such as additional warehousing, transportation, labor, etc., by increased financial support of State and local governmental units. (b) Complete coverage of currently eligible categories.

Food Preservation

1. A vigorous program of encouraging State and local communities to provide adequate facilities for canning, freezing, or otherwise preserving food which may become available as a result of the Direct Distribution Program or through local surplus of farm products.
2. This program could be expanded by the Department making available more technical assistance to institutions, schools, and communities. Also a vigorous campaign by PMA is needed to increase the interest of individuals, school lunch sponsors, and communities in developing food preservation programs.

Abundant Food Marketing

In cooperation with food distributors, develop programs which will provide increased consumption by consumers of agricultural commodities, which from time to time are in abundance. In addition to established means for operating such programs we believe the following would generally prove beneficial: (a) Encourage national trade organizations to develop interest to an extent which will produce promotional activities throughout the entire membership. (b) Stimulate National trade groups to develop and supply placards, streamers, and other advertising materials to be used at point of sales during campaign. (c) Ask industry to keep price of commodities as reasonable as possible. (d) Utilize former local food committees and local trade groups in

promoting increased sale and consumption of the item in abundance.
(e) Encourage State, local and community PMA committeemen to help farmers put up better quality products to be pushed with consumers in these campaigns.

NUTRITION

Encourage research and education and service efforts which will increase knowledge of nutrition and improved food habits.

Reconstruction of State Nutrition Committees and increased activity of PMA.

Food Allotment Program

In addition to the preceding operating programs, if we are to provide maximum aid to placing a floor under consumption and at the same time maintain a minimum level of nutrition for our people, we believe an experimental food allotment project should be established.

III. SERVICE AND REGULATORY ACTS

It is impracticable here to consider each type of regulatory statute or service activity for which PMA is now responsible but it is suggested that:

- (1) The Production and Marketing Administration continue to expand its studies of service and regulatory acts administered by it in order to be in a position to make recommendations for such modifications or changes in the laws as may be necessary to fit them to changed conditions in the marketing and distribution of the agricultural products to which the laws apply.
- (2) That every possible means be employed to acquaint producers with the services and protection afforded them by present activities in this field.
- (3) That the land grant colleges be encouraged to expand present activities by employing specialists for work on wholesale and retail marketing in their respective States.

IV. MARKETING RESEARCH

The problems on which marketing research is needed are so numerous and varied in nature that it would not be appropriate to recommend detailed projects or lines of work without careful study which would require more time than is available. The Committee, however, has some definite opinions regarding the general direction which should be taken by the Production and Marketing Administration in conducting an expanded research program under the Research and Marketing Act, and makes the following recommendations:

- (1) Emphasis should be placed on discovering and testing new and improved methods of marketing farm products. Research which merely describes past or present marketing practices or conditions is not

likely to be of much assistance to farmers and consumers, or to effectuate the purposes of the Research and Marketing Act.

(2) Although past efforts to reduce marketing costs and margins between the producers and the consumer have not been very successful, there is evidence that research can and should contribute substantially to reducing costs if such research is directed toward the merits of:

(a) The elimination of artificial trade barriers and of unnecessary steps in marketing by integrating existing operations, more direct buying of produce at country points by large wholesale and retail organizations, and the efficiency of large-scale marketing organizations.

(b) The improvement of operating efficiency of existing marketing agencies by applying devices which have proved their worth in the industrial field, such as time and motion studies to increase labor efficiency and the relocation or combination of small units, to give greater volume of business per unit.

(3) The Committee is of the opinion that modern technological developments in processing, packaging, transporting and distributing have not been sufficiently exploited in agricultural marketing, and should be one of the principal subjects to be dealt with under the expanded marketing research program.

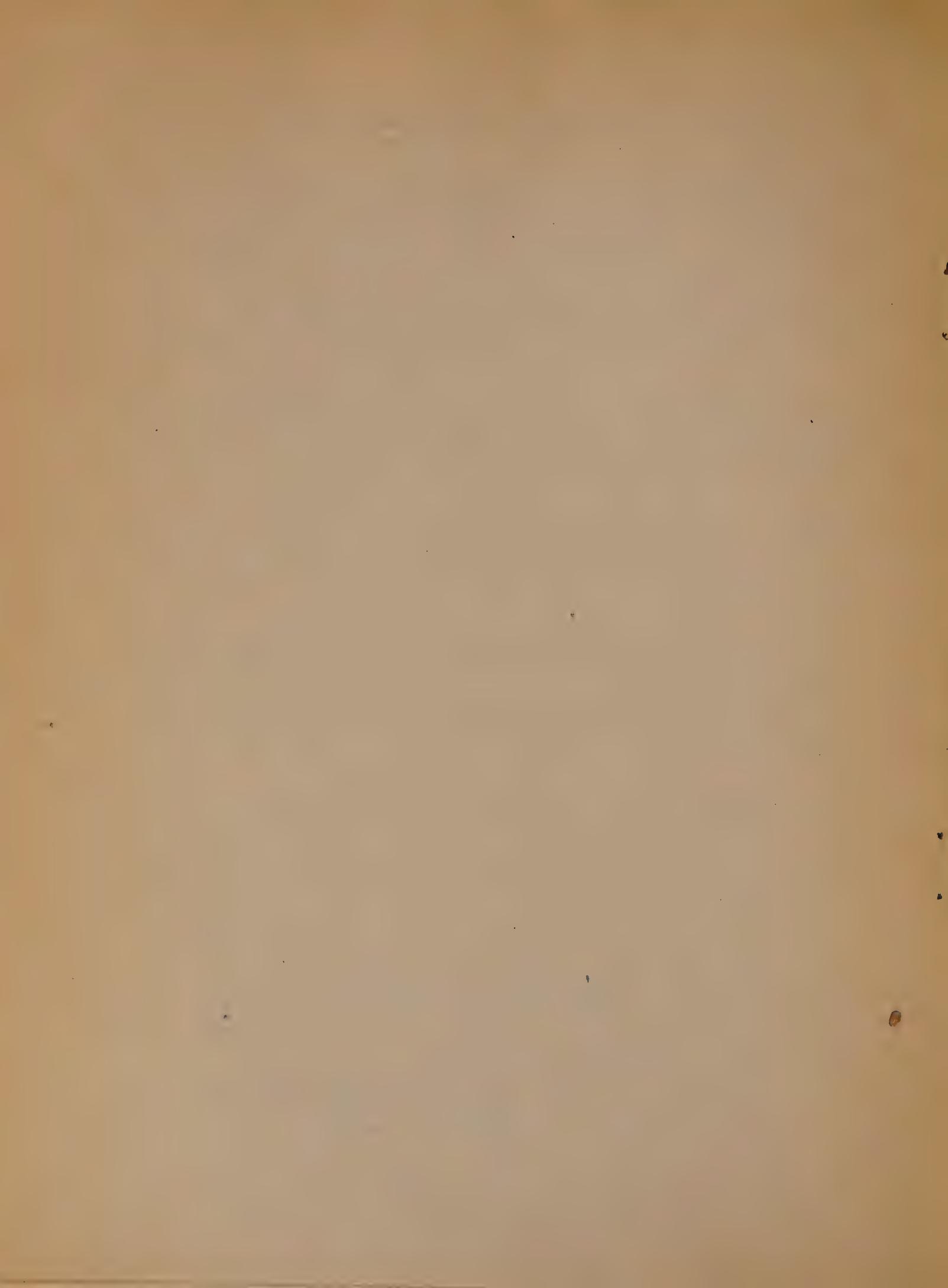
(4) We feel that the pricing system for farm products fails adequately to facilitate distribution and adjust consumption to changes in production. It fails to reflect back to farmers the changing demands of consumers, and to equitably distribute to producing groups the amounts paid for agricultural commodities by consumers. Research is needed to discover and test out new ways of making the pricing mechanism do a better job in these respects.

(5) The Committee is fully appreciative of the outstanding contribution to improvement in agricultural marketing which has been made by the service and regulatory activities of the Department of Agriculture and cooperating State agencies, and especially the grading, inspection and market news services. Nevertheless, it feels that there is still room for considerable improvement in the quality, as well as the amount of such services by improving through research and making the standards more directly reflect the actual preferences of final consumers and fit trade requirements. Market price quotations can be made more accurate and useful and other improvements can and should be facilitated by conducting research on problems of methodology.

This report was approved by the committee.

Chairman: JOHN L. McCOLLUM

Secretary: Wm. C. CROW



REPORT OF THE FUTURE AGRICULTURAL
FIELD ADMINISTRATION IN COUNTIES, COMMITTEE

The sincere, sympathetic and continuing interest in the welfare of American agriculture on the part of the Congress of the United States, as evidenced by successively progressive legislation dealing with farm problems, is recognized with respectful appreciation.

The stated policy of Secretary of Agriculture Clinton P. Anderson on the indispensable functions of democratically-elected farmer committees is received with unanimous satisfaction.

In turn, the farmers of the United States recognize and assume their full obligations and responsibilities to the people of this nation and their nation's friends abroad.

In furtherance of the four principal objectives of American agriculture which are: (1) Maintenance of an economic position and benefits equal to those enjoyed by other segments of American enterprise; (2) Preservation of our land and water resources to insure a permanent, self-revitalizing agriculture; (3) Vestment of administration of agricultural policies and programs firmly in the hands of farmers themselves; (4) Abundant production in balance with needs, selling at prices fair to both producers and consumers; the following specific recommendations are offered for the improved administration of agricultural programs at the county level:

1. That the farmers of each county elect a county committee and community committees of farmers to administer at the county level the following programs and functions:
 - a. All programs for soil and water conservation including the furnishing of technical assistance and services to farmers.
 - b. All Loan, Purchase, Marketing Quota and other marketing programs presently administered by the County Agricultural Conservation Associations and any other programs which the Secretary of Agriculture determines can be most effectively administered by county committees.
 - c. Approval of loans to farmers who are ineligible for credit from banks or F.C.A. and administration of other agricultural activities carried out in connection with such farmers.
 - d. All crop insurance programs.
2. That each county and community committee consist of not less than three nor more than five farmer members.
3. That the county agricultural agent be ex-officio a member of the county committee without a vote.
4. That county committeemen be elected for a term of three years and that terms of office be so arranged that only part of the positions become vacant each year and that community committeemen be elected for a term of one year.

5. That the elected county committee be delegated authority to employ, within available funds, qualified personnel and to direct their activities in the administration of programs under their jurisdiction.
6. That all farmers including landlords, tenants, and share croppers having an interest in a farm in a community be eligible to vote in one community in the selection of community committeemen.
7. That all community committeemen be eligible to vote in the election of the county committee. A majority of the community committeemen shall be represented at the county convention.
8. That the county committee be allowed sufficient latitude to disseminate such information as is necessary to administer programs under its jurisdiction.
9. The county committee should assist in developing other local agricultural programs and should bring about so far as is feasible cooperation and correlation between programs under its jurisdiction and those other agencies with related objectives.
10. That a strong community committee is essential and should be developed under the direction of the county committee. Adequate provision should be made for the development and utilization of the community committeemen.
11. That the following recommendation of the Secretary of Agriculture be adopted: "We recommend housing all agricultural agencies in the county in one location. To facilitate this desirable action, I hope the Congress will consider a cooperative building program with the States and counties. It may be necessary for the Federal Government to provide as much as half the cost of construction, excluding the cost of the land."
12. That the combination of programs and functions at the county level will not be successful unless a similar combination of programs and functions is carried on through the State and national levels.
13. That these programs and functions be administered at the State level by a committee of farmers appointed by the Secretary of Agriculture.
14. That the State committee have authority within the funds available and applicable Civil Service regulations to employ and direct its own personnel.

15. That the Congress be requested to provide an appropriation of 300 million dollars for the 1948 agricultural conservation program and that the payment limitation for each person participating in the program be increased from \$500 to \$2,500.

Chairman: William B. Crawley

Secretary: H. Laurence Manwaring



REPORT OF THE WASHINGTON-FIELD RELATIONSHIPS COMMITTEE

The PMA Conference Committee on Washington-Field Relationships, acting in accordance with instructions from the Administrator, met at Colorado Springs on December 11, 1947, to discuss various aspects of these relationships. The discussion took into consideration as many phases of the relationships as possible in the time allotted. In accordance with instructions to the Committee, discussion was limited to program operations. In general the discussion touched on program instructions; authorities vested in field offices; participation of field offices in program development; adequacy of the communication system between Washington, area and state offices; effectiveness of PMA's present organization from the standpoint of Washington-Field relationships.

It was the consensus of the Committee that in order to bring about the best administration of PMA programs, it is necessary that every effort be exerted to bring a closer working relationship between the Washington, area, State and county offices, including frequent meetings where ideas may be exchanged and each segment may be informed of the programs, problems and responsibilities of the others.

The Committee feels that this PMA conference has done more to bring about a finer relationship than any other move since PMA was organized. The Committee wishes to commend the Administrator for calling this meeting and recommends that it become an annual affair in behalf of good Washington-Field relationships.

The following are specific questions and subjects discussed by the Committee, and recommendations and conclusions on each:

1. What improvement can be made in program instructions originating in Washington?

It was concluded that improvements can be made. In order to eliminate conflicting information, instructions and procedures, it is recommended that definite channels of communications on programs be established between Washington, area and State offices through which such instruction or information may flow, and which will serve as known and final authorities on program matters. Because of their close relationship to program instructions, it is further recommended that there be a consolidation of instructions having to do with personnel, fiscal and administrative management, and that a single source be established for distribution of instructions on administrative, personnel and fiscal matters, in order to eliminate the issuance of duplicating and sometimes conflicting instructions.

It is recommended that printed copies of State Handbooks be furnished States on the dates specified by State offices. Whenever possible, program instructions, forms and related material should be given a field trial prior to issuance of final instructions, forms or other material. At the time of final issuance sample copies of all forms and documents referred to in program instructions should be attached to the instructions. Each sample copy should indicate source of supply.

2. Do the field offices executing PMA programs have sufficient authority within reasonable limits to adjust programs to meet local conditions?

Generally, yes. However, it is recommended that the Washington Office give consideration to extending the authority of State and county offices in the administration of PMA programs or phases of programs which are at present assigned to other units of PMA but which lend themselves to administration through State and county offices. Specific examples of the types of programs in which State and county offices might be so utilized are purchase operations on peanuts, fresh vegetables and where practical other operations that can be administered through the State and county committees.

3. Are programs received in the field offices in time to permit planning by these offices?

Generally, no. This is particularly true in connection with price support programs including loan programs. It is recommended that information concerning all programs affecting farmers and commercial agencies be furnished the State and area offices as quickly as possible by fastest communication, and where possible in advance of public announcement of program plan. It is further recommended that Washington offices furnish program information and instructions to State and area offices simultaneously in instances where cooperative action between State offices and other PMA offices is required.

4. How can the field offices be given more opportunity to participate in the development of programs?

In order that field offices may be given more opportunity to participate in development of programs, it is recommended that representatives of State offices be consulted in formative stages of programs. Sufficient notice of conferences should be given in order to allow the State office representatives adequate time to obtain the opinions of the various segments of agriculture and the industry affected by the program. Conferences of this type should be so coordinated as to permit maximum participation by field representatives. In addition the Administrator's fieldmen and the area offices of the Branches and CCC should be used to the fullest extent possible in reflecting the views of both Washington and the field in the development of programs.

5. What action should be taken to speed up communication between field officials and other field offices and the Washington office when a problem arises on which the decision of another official or a higher authority is needed?

Communication is generally satisfactory. However, it is recommended that field offices be furnished a listing of various branch officials and their responsibilities so that the appropriate persons may be contacted as problems arise. Particular reference is made to the memorandum issued by the Fruit and Vegetable Branch, as being an outstanding and commendable example of clarifying Washington-Field relationships.

6. Do the field offices understand the responsibilities and functions of other field offices of PMA, the Administrator's fieldmen, field representatives of the Washington Branches and what suggestions are there for improving relationships between them?

No. It is recommended that a directory be prepared of the various PMA field offices, defining their respective functions. It is recommended that responsibilities and functions of various PMA offices and their relationships, both in Washington and in the field, be defined in official PMA instructions. It is also recommended that meetings be arranged between representatives of the field offices in a given area or State for the purpose of getting acquainted and discussing the functions and responsibilities of each. The Administrator's fieldmen should assist in familiarizing each of these offices of the functions of other field offices and in promoting exchange of information. It is further recommended that field representatives of the Agricultural Conservation Programs Branch devote a maximum amount of time in the field so as to permit, if possible, one visit a month to each State in his area. It is recommended that other appropriate material be prepared and distributed throughout PMA to facilitate an understanding of the work and responsibilities of each part of PMA.

7. What means can be employed for field offices to be kept more adequately informed of the development of programs in Washington before they are finally approved and announced?

It is recommended that field offices be kept currently advised of developments on all programs administered by them even though such information is not final. As soon as a program is approved, field offices should be advised by the quickest communication possible. It is also recommended that the Information Branch issue a news letter similar to its present Information Round-up which would be made available to all PMA offices. Such a news letter should cover activities of all PMA branches and all other related activities.

8. How can field offices more adequately keep Washington informed of developments in the field regarding programs that are in operation? Can present reporting requirements be improved or modified to accomplish the objectives of keeping Washington offices informed?

It is the opinion of the Committee that Washington offices should advise the field as to types of information desired, as well as offer appropriate comments on desirability of information being furnished, particularly with reference to the bi-weekly report submitted by the State offices. It was also felt that field offices should advise Washington by separate letter on unusual situations arising in their respective area and keep Washington currently informed on any anticipated developments in the field.

9. What changes in PMA organization would improve field operations and Washington-Field Relationships?

Efforts should be made to stabilize the present PMA organization and improve existing mechanisms before any further organization changes are

made. It is recommended that a study be made to determine the desirability of administering the school lunch and direct food distribution programs through State and county committees.

Since the State and county offices are the key units in PMA for the formulation of policies and programs and for carrying out programs requiring farmer participation, it is recommended that best available information, assistance and services be furnished to enable them to be prepared at all times to discharge their responsibilities in the most effective manner. This Committee believes that the PMA programs will increasingly be only as good as the State and county offices.

Chairman: Carl Fry

Secretary: H. I. Dunkleberger

REPORT OF THE GENERAL ADMINISTRATIVE SERVICES COMMITTEE

The subject matter assigned to this Committee covers such a wide and diverse field that five sub-committees were appointed to consider what was believed to be the subjects of first importance in the general subject matter field. The remaining topics considered by the Committee were discussed and developed during the meeting of the whole Committee.

The five sub-committees of the General Administrative Services Conference Committee were assigned the following questions, with full latitude to consider and report on any other topics of importance developed by the sub-committees. The assigned questions were:

- (1) Should formulas be devised at this time for the distribution of administrative expense funds for the agricultural conservation program among the States? If so, what formulas should be used, and if not, what alternative method should be followed in the distribution of the administrative expense fund?
- (2) Should delegated employment authority be continued in its present form for State PMA offices?
- (3) Should sick leave be granted County Association employees, and, if so, in what amount?
- (4) In connection with the administration of the marketing quota programs, should a farmer who overplanted his tobacco or peanut allotment be considered a participant and be allowed to vote in Committee elections?
- (5)
 - a. Should uniform geographical areas be established for all PMA activities in the field?
 - b. Should the various field offices of PMA located in the same city be housed in the same building?

Allocation of Funds

On the question of allocation of administrative expense funds among the State PMA offices, the Committee unanimously agreed that no fixed formula could be devised for allocating funds for State and County offices on an equitable basis. The committee feels that sufficient information is not now available to permit the use of a formula for allocation purposes. In lieu of a formula, the Committee recommends the following plan be followed in allocating funds:

- (a) After withholding sufficient funds for GAO pre-audit offices an allocation should be made to each state to cover fixed charges such as rents, utilities and other fixed non-personnel costs.

- (b) Next an allocation should be made to cover key personnel necessary to maintain a minimum functioning organization. This would be based on a survey by the Washington office which would classify States in accordance with their size, type or agricultural conservation program and other factors.
- (c) The balance of the funds would be distributed to the States on the basis of workload and type of program.

With regard to workload and type of program, the Committee feels that there is not sufficient information on hand at present to make allocation, based on these factors. It therefore recommends that on-the-spot studies be made in a number of States to determine actually what is costing money and how much each activity should cost. This survey would include typical State and county organizations. Particularly the Committee recommends that States with extreme variations in cost be analyzed and States with widely varying types of conservation programs be included in the study. The Committee believes that in addition to improving the system of allocation of funds, such studies would be of benefit to the States in improving their operations.

Delegated Employment Authority

On the question of delegated employment authority, the Committee recommends:

That delegated employment authority be continued on the present basis if this authority can be retained by PMA. If it is not possible for PMA to retain the employment authority on the present basis, the Committee recommends a system under which employment authority for State PMA offices would be delegated to area personnel officers of the Budget and Management Branch.

The Committee spent more time on this question than on any other issue presented. It was generally agreed that the delegated employment authority in the State PMA offices had been of great value to the States in their operations. It was recognized however that two facts: (a) the reduced size of State offices and (b) the increasing severity and complexity of the regulations imposed by the Congress, the Civil Service Commission and other agencies whose activities affect personnel administration should be taken into account in resolving this question.

The discussion clarified a number of the issues involved in this problem and the Committee regrets that it was not possible for the Conference as a whole to take part in and benefit by the discussion of this subject.

Sick Leave

With regard to the third question, namely sick leave for County Association employees, the Committee recommends:

That all regular full time employees of County Associations, exclusive of County Committeemen, be granted one day sick leave per full month of employment and that such sick leave be cumulative to thirty-six days.

The Committee was unanimous in recommending that sick leave privileges be extended to County Association employees. Some members of the Committee recommended that County Association employees be granted the same sick leave privileges as regular Federal employees, however, the majority of the Committee endorsed the recommendation set forth above -- one day a month or twelve days a year.

Voting Eligibility

On the question involving voting eligibility in connection with the marketing quota program, the Committee unanimously recommends that:

Farmers who overplanted tobacco or peanut allotments be considered participants and be allowed to vote in committee elections on the same basis as farmers in full compliance with the quota programs. The Committee further recommends that the present law be revised if necessary in order to accomplish this recommendation.

The basis of the Committee's decision is that many farmers unknowingly overplant and in many instances only small acreages are involved; further, when the penalty is paid, the marketing quota laws and regulations are satisfied and finally, the farmer is voting for committeemen who will serve and administer the programs the following year-- not for committeemen who serve during the year in which the violation occurs.

Geographical Areas

With regard to the question of geographical areas, the Committee recommends:

That, insofar as practicable, uniform geographical areas for all PMA activities be created, however that consideration be given to the creation of separate geographical areas for specialized activities.

In short, the Committee recognizes that certain activities require specialized areas. However, the burden of proof should rest with any office that wishes to deviate from uniform geographical lines.

Housing of Field Offices

With regard to the question of housing PMA activities in the same building, the Committee recommends:

That field offices of PMA located in the same city should be housed in the same building unless the nature of the activity or proper service to the public requires an office located in a particular section of the city.

No disagreement was expressed to a general policy of centralized housing, but the Committee recognized that the policy would in many instances need to give way to local operating considerations. In other

words, when any PMA field office wishes to be housed away from the central PMA office in the city, the burden of proof should rest with that office to show that such action is warranted.

Other Problems

In addition to the five assigned questions upon which the above recommendations were made, the Committee discussed the following subjects :

Decentralization of certain contract authorities
Personnel Ceilings
Organization charts
Position classification for State offices
Printing and binding
Mileage allowances for Community Committeemen

On some of these subjects the Committee is not making specific recommendations. The following recommendations, however, are made:

- (1) That consideration be given to decentralization of certain contract authorities particularly in connection with telephone contracts and emergency supplies.
- (2) That the option be granted to States to pay mileage allowance to Community Committeemen for any work they may perform in connection with the County PMA programs requiring travel.
- (3) That at the earliest possible date meetings be held in each State office between the State Committeemen, the Administrator's fieldman and a representative of the Area Budget and Management Office with a view to setting up properly classified and streamlined organizations, such organizations and positions to be in keeping with present budgets and current programs. The Committee further recommends that the field units mentioned be given authority to go ahead immediately to resolve this problem.

The Committee recognizes that the recommendations set forth in this report do not give complete coverage to the field of administrative management but simply cover the most pressing problems facing field offices today.

Chairman: W. R. Allstetter

Secretary: J. F. Hoofnagle

